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PHOTO: ©PETER TURNLEY—BLACK STAR

Riot-sparked fires, *hurricanes, floods, and untold individual calamities have struck tens of thousands of businesses in recent years; lessons others have learned can help you prepare for such disasters and minimize their impact. Cover Story, Page 20.*



PHOTO: ©BRUCE W. BUCHANAN

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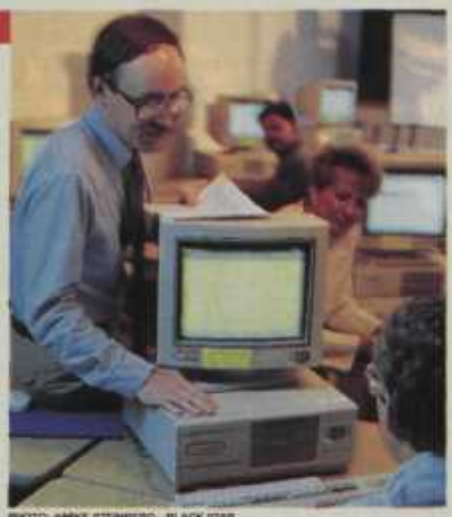


PHOTO: MIKE STEINBERG—BLACK STAR

Computer *improvements and price cuts help the bottom line, says manager Kevin Caine. Special Report, Page 36.*

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On the cover: *General Manager Don Estes moves Peterson Paper Co.'s products out of the flood waters of Davenport, Iowa; a storm unleashes its fury; a business burns during Los Angeles unrest.*

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Editor's Note

"Catastrophe Touches Us All"



PHOTO: G/A & J VERKAIK—THE STOCK MARKET

Special Correspondent Sharon Nelton, who wrote this month's cover story on preparing for natural and other disasters, on Page 20, does a better job than I can in describing how this article came together:

"I talked to business owners and managers who were victims of hurricanes Hugo and Andrew and the Mississippi flood, as well as victims of other types of disasters, such as fires. I wanted to find out from them what they learned from their experiences that would help other business owners be better prepared for catastrophe.

"I found people with wisdom and courage and spirit. I found kind people, compassionate people, people with the ability to endure.

"But I was also touched in unexpected ways. I often found myself welling up with forgotten feelings of grief and even nostalgia as I recalled working in Detroit during that city's 1967 riots, when, as in Los Angeles last year, many small businesses went up in flames.

"More recently, my sister, my nephew, and a close friend survived Hurricane Andrew. My nephew's home was badly damaged, and my friend, a small-business owner, lost all of her personal possessions. My sister experienced the universal stress that followed Andrew, when streets were impassable or unrecognizable and chaos reigned.

"Catastrophe touches us all at one time or another. If business owners recognize that and do their best to prepare, their comeback can be more assured. However, even when you recover, a disaster stays with you and changes your life forever."



PHOTO: T. MICHAEL KEZA

Two honorees in the Blue Chip Enterprise Initiative, which recognizes triumph over adversity, are cited in the cover story. Their presence is timely because the 1994 Blue Chip Initiative is announced in a separate article, on Page 44. (The 1993 winners, pictured here, are identified in the Blue Chip article.) The announcement will help you decide whether to enter your own firm.

Robert T. Gray
Editor

Nation's Business

Letters

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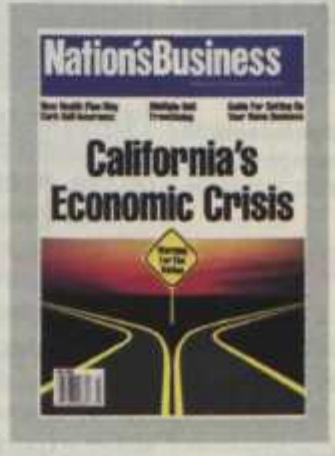
BUSINESS MANAGER
Leonard I. Rippa

Sharing The Bad News From The Golden State

In "California's Economic Crisis" [July], you document how that state's tax and regulatory policies are driving businesses out. We have sent copies of the article to our legislators in the Vermont General Assembly in order to share with them the problems that California is experiencing.

David P. Reville, Director
Corporate Communications
Banknorth Group, Inc.
Burlington, Vt.

No Way To Grow



I enjoyed the article. Government officials still don't realize that you can create wealth only by mining, manufacturing, or growing something. The California government feels that the way to wealth is through taxes, fines, permit fees, property taxes, utility taxes, and tax taxes.

Keep following the California action; it's going to get much worse until there's a fundamental change in the way government treats business.

David Goodson, Owner
Manor Research, Inc.
Hayward, Calif.

[Editor's Note: The article cited the business campaign to improve the California economy by easing regulatory and other costs of doing business. We will report to readers on the outcome of this effort.]

Patent Procedures: You Get What You Pay For

Contrary to a statement in a Managing Your Small Business item [June], a patent does not give its holder the exclusive rights to make, use, or sell the invention. It is a negative right that permits the holder to prevent others from making, using, or selling it.

The same item uses the book *Patent It Yourself* as an authority. I am impressed that for its $34.95 cost I can learn how to obtain a patent on my own. In our firm, we hire only people with engineering or physical-science undergraduate degrees who have also earned law degrees with academic distinction. It takes two to five years before a young lawyer is sufficiently trained to prepare and prosecute a patent application without close supervision by one of our partners. That $34.95 book, if it replaces all of the education and training we require, is some bargain.

Thomas E. Fisher
Watts, Hoffman, Fisher & Heinke Co., L.P.A.
Cleveland

Conflicting Survey Results On Transportation Tax

Your Where I Stand response [July] lists 55 percent of respondents as opposing higher transportation-related fees or taxes to improve transportation services and facilities. Surveys like this one represent a self-selected sample and are not scientific.

A random-sample national survey conducted by Penn & Schoen Associates of 1,000 American adults found that 71 percent would support an increase in the federal gas tax if the money were used exclusively to improve roads, highways, and bridges. Seventy-percent, however, opposed higher gas taxes as a means of raising general revenue.

William D. Toohey Jr.
Vice President/Communications
American Road & Transportation Builders Association
Washington, D.C.

Another View On The Drop In Small-Business Loans

Your article "Easing Small Firms' Credit Crunch" [June] cites paperwork as the reason for the decrease in bank loans to small business. This decrease is not the result of paperwork but of the banks' realization that investing the same money in government securities not only pays the same interest but also does not require them to set aside part of their capital for losses on bad loans.

Alan Greenspan, the Federal Reserve Board chairman, has said that "we are replenishing the banks' balance sheets." From his comments, one may conclude that if this means depriving small businesses of the loans they need to expand and create jobs, that's OK with the Federal Reserve Board.

The de facto nationalization of our banking system, whose independence is so essential to small businesses like my

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own, is an unacceptable solution for deficit spending and is one that small businesses like mine need to oppose more vocally.
Jonathan R. Parks
General Manager
Productivity Software Int'l Inc.
New York City

The Cost Of Playing Someone Else's Music

A Managing Your Small Business item [June] cited the need to obtain permission and pay a license fee for playing other people's music in the workplace. It is correct that playing music over an intercom system is a violation of copyright laws unless you pay a fee to either ASCAP or BMI (or probably to both), the two major companies that license music in the U.S.

The courts, however, have ruled that if you play that music over a home-style device with a minimum of speakers a reasonable distance from the source, such as a radio or CD player, you can tell ASCAP or BMI to whistle another tune. The operative words are home-style unit and limited number of speakers.
Roger D. Grady
The Newport Group
Newport, R.I.

It Depends On Your Firm's Size . . .

In a great many instances, you can't be charged if the size of the business is small enough and the type of system is not very sophisticated.
Joseph W. Dalton Jr., President
Saratoga County Chamber of Commerce
Saratoga Springs, N.Y.

. . . And The Size Of Your Stereo

The item says what BMI and ASCAP want people to believe, but the courts have ruled otherwise. Use of a "home-type stereo unit" has been ruled legal in stores, even in chains that have hundreds of outlets.
Mark Warda
Attorney At Law
Clearwater, Fla.

[Editor's Note: Courts have ruled that in order to qualify for the exemption from the licensing requirements under the law, a business establishment that plays music in the workplace must meet these basic conditions: It must use a single receiving apparatus of a type commonly used in private homes, and it must not permit further transmission to the public of the radio broadcasts received on that equipment.

A federal court decision has expressed the view that placement of speakers 15 to 35 feet from the receiver is within the range of equipment commonly used in private homes.]



Protect Your Face And Eyes When Using A Chain Saw

As a safety professional, I call your attention to the fact that the logger pictured in Letters [July] lacks protection for his face, eyes, hands, and hearing.

My concern is that others may think that this is acceptable procedure for chain-saw users.

Otherwise, thank you for your magnificent and educational magazine.
Mel Perez
Savannah, Ga.

Will He Square His Old Accounts?

In his Entrepreneur's Notebook [June], John Wiley says that "many creditors felt burned, and rightfully so," when his first company failed. Now that his new company is such a success, does he have any intention of squaring those old accounts?

His statement that he bought back the assets of his old company for 10 cents on the dollar from a bank that had called in a loan really steamed me. It would be nice if your fine publication kept its articles positive. There are more than enough companies out there trying to take advantage of the shortcuts in the system.
Jim Lee, President
F.H.J. Supply Co., Inc.
Portland, Ore.

[Editor's Note: Commenting that "it's not a perfect world," Mr. Wiley says he has no plans to pay the old debts. In regard to Mr. Lee's request for positive articles, Entrepreneur's Notebook generally meets that criterion, but we believe that readers are interested in all aspects of entrepreneurial experience.]

Your Business's Accountant Doesn't Have To Be A CPA

An item in Direct Line [July] advised reader E.J. of Livonia, Mich., whose company is not satisfied with its present certified public accountant, on choosing a replacement.

Your advice was good as far as it went. But reader E.J. and others in a similar situation should be aware that there are thousands of excellent accountants in this country who have chosen not to go the CPA route.

What those companies need is a very knowledgeable accountant, not necessarily a CPA, who specializes in small businesses.

It's worth paying for an hour or two of consultation upfront to judge an accountant's worth. Let this individual look at your books and advise you. If you like what you hear and are comfortable with the person's approach, forget about the CPA label and feel happy that you have found someone who can help you keep track of your finances.
Anuh
Anuh's Bookkeeping Service
Mount Judea, Ark.

A Different Type Of Small Business

Several articles in your June issue gave me information and ideas for the small business of which I am CEO.

I am the principal of a high school, but I do not find educational journals as provocative and stimulating as I find magazines such as yours.

It isn't a difficult jump to apply the ideas of "Survival Tactics For Retailers" and "Understanding Your Customer" to my school's understanding of service to parents.

The article on business insurance gives me an indication of the necessity of raising my budget projection for plant insurance. I clipped the "Smart Shopping" box to give to the bookkeeper who is our liaison with the insurance agent.

"The Power Of Empowerment" simply reaffirmed the school's out-front commitment to the empowerment of faculty, staff, and students.
Elizabeth B. Broome
Principal
Alverno High School
Sierra Madre, Calif.

Send letters to Editor, Nation's Business, *1615 H Street, N.W., Washington, D.C. 20062-2000, and include your phone number. You may fax your letter to (202) 887-3437.*

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Entrepreneur's Notebook

By Marilyn Norris

Life Begins At 60 For A Change

By the time most people reach their 60s, the only major career change on their mind is retirement. Just last year, though, when I was 62, I started thinking about going into business for myself.

It wasn't entirely of my own doing. The company I was working for at the time, J.C. Penney Co., Inc., offered me an attractive retirement option. Suddenly, I had choices.

It's a decision more and more managers nearing retirement age have to make, as companies offer early-retirement packages in their efforts to cut payrolls. Many employees welcome such an offer, seeing it as a springboard into their golden years. But I just couldn't retire. I didn't have the kind of nest egg that would support me comfortably.



PHOTO: SHOLLY KUPER

Writer and planner *Marilyn Norris: Age is not an issue; all that matters is whether the person can do the job.*

What I saw in J.C. Penney's offer was a chance to go out on my own. It gave me the nudge, along with the security of having short-term severance income, to explore, make contacts, and see what was out there. Talking with those contacts persuaded me to make the leap.

From July 1 of last year until New Year's Day, I refined my plans for what I wanted to do, honing a sense of the business I was in and making contacts. I looked back over my career—I had worked as a writer, editor, and strategic planner—and tried to determine how broad a focus my new venture should have.

I have never expected to retire completely. So my idea was to create a strong business for eight to 10 years before cutting back.

Buying the equipment for an office in my Dallas home meant tapping into the retirement money I had been putting away for about 15 years. What I had learned in my six-month study of the market for my services convinced me that my money would be recovered quickly.

On Jan. 1, 21st Century Resources Inc. started taking clients. The company does professional writing, develops educational programs, and engages in what I call "futures planning"—producing forecasts of demographic, economic, and lifestyle characteristics and using the information to identify a client company's options.

Through personal contacts and through the Planning Forum, a professional organization, I have built a client base that includes J.C. Penney, American Express, Delmar Publishing, and the New York State Department of Education.

Perhaps the most important ingredient that I had in starting the company was confidence. Essentially, I am the product—I want people to pay for my help, after all—and I believe in myself. I never doubted that I could succeed as long as I could get others to believe in me.

Having to market myself is the biggest change for me. I was very much middle management at J.C. Penney in a kind of job that encouraged a low profile. Being on my own made me more forceful and outgoing; I could no longer wait for someone to ask me to get involved.

In marketing myself, age is not an issue. Many people who are offered early retirement or are laid off late in their careers see age as a roadblock to getting a new job; age is one reason why some people start their own ventures, as a last-ditch effort to stay employed.

As a consultant or independent contractor, however, the only thing that matters is whether the person can do the job. A lot of companies are looking for outside help instead of new hires, so experience and ability, which people frequently have in abundance late in their careers, are keys to luring clients.

Going into business on your own later in life does not increase the challenges of being an entrepreneur. The only difference I see is that older entrepreneurs probably have to be successful more quickly. They don't have the luxury of time to recover from mistakes.

When I decided to launch this venture, I set out to generate enough revenue to maintain my living standard. My first-year revenue target is ambitious, but I'm positive that I'll get there. I haven't felt the need to scrimp.

I don't think this business has to keep growing to do what I set out to do, which is to make a living, not an empire. But I would like to earn more next year, and to do that, I must figure out how to make myself more productive.

Anyone can succeed on his or her own. With a careful plan and the confidence to make it go, the entrepreneur will only have one regret: that he or she didn't break away years ago. NB

Marilyn Norris is president of 21st Century Resources Inc., a writing, educational training, and planning firm in Dallas. She prepared this account with Nation's Business *Contributing Editor Charles A. Jaffe.*

Readers with special insights on meeting the challenges of starting and running a business are invited to contribute to Entrepreneur's Notebook. Write to: Editor, Nation's Business, *1615 H Street, N.W., Washington, D.C. 20062-2000.*

What I Learned

Entrepreneurship is an option for anyone but especially for the older worker re-evaluating his or her future. It's a liberating experience to leave the structured workplace and face the challenges of running a business.

"Ping pong mania is sweeping the nation. Sales are bouncing through the roof. And my competition is swatting air. I'm faced with insurmountable opportunity but with ACCPAC as my partner, I can't miss."

Name: Johnny "The Big Pong" Mannix
Title: Owner/President/Spokesperson
Company: The Ping Pong Institute
Salary: $125,000/Year
Annual Sales: $8,650,000
5-Year Average Annual Growth: 85%
Software: ACCPAC® Plus Accounting™
Favorite Module: "Accounts Receivable, of course."



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Dateline: Washington

Business news in brief from the nation's capital.

By Albert G. Holzinger

INTERNATIONAL TRADE

U.S. Officials Vow Stronger Push On Japan To Open Its Markets

Key administration and congressional officials say the United States has finally become serious about opening Japanese markets to more American-made products and services.

Treasury Secretary Lloyd Bentsen and House Majority Leader Richard A. Gephardt, D-Mo., recently told gatherings of international-business executives at the U.S. Chamber of Commerce that the "framework" agreement between President Clinton and Japan's then-Prime Minister Kiichi Miyazawa represented an important step in the process of opening markets. Talks will commence soon under the agreement, which is aimed at reducing America's trade deficit with Japan, now about $50 billion a year, by increasing U.S. exports to that country. Both Bentsen and Gephardt warned, however, that if the talks do not produce results, retaliation could ensue.

"It's time to go beyond exchanging business cards and to start seeing some more business," Bentsen said. "American industry has a reasonable market share in all the major industrialized countries except Japan," he noted, and the Japanese situation must be rectified through the coming negotiations.

Gephardt announced that he will introduce legislation this fall that would require the Commerce Department to assess annually how much in exports key U.S. industries have lost the preceding year as a result of Japanese trade barriers. If these amounts prove excessive, he said, they "would provide the basis for [retaliatory] action under Section 301 of U.S. trade law."



PHOTO: LAURENCE L. LEVIN

Treasury Secretary *Lloyd Bentsen, left, and House Majority Leader Richard A. Gephardt warned of trade retaliation if Japan fails to open its markets.*

NAFTA Will Mean More Jobs For Americans, Hutchison Says

Kay Bailey Hutchison, R-Texas, the newest member of the Senate, told business leaders gathered at the U.S. Chamber of Commerce that the North American Free Trade Agreement (NAFTA) will mean more jobs, more trade, and more dollars for the United States.

"NAFTA will open markets to create real jobs," Hutchison said. "It's a win-win [situation] for all three countries. The long-term benefit of this coalition between Canada, Mexico, and the U.S. is going to mean jobs for us.



PHOTO: LAURENCE L. LEVIN

"We're not going to lose jobs to Mexico because of NAFTA. We're losing jobs to Mexico right now because the cost of doing business is too high in America. What we've got to do is build the economies [of Canada and Mexico] so that people have the buying power, and we will create export markets."

NAFTA is a priority of the Clinton administration and, along with health care, is shaping up to be one of the most interesting upcoming topics of debate in Congress in the wake of the budget votes.

—David Warner

POSTAL SERVICE

Rates Could Rise In 1995 Because Of Cost Shifting

Efforts by the Clinton administration and Congress to reduce the federal budget deficit could force the U.S. Postal Service to raise rates in 1995, a year earlier than expected, according to Postmaster General Marvin T. Runyon.

"I really had hoped that we could go to 1996 without a rate increase," but congressional approval of items in separate pieces of legislation to shift $2 billion in costs from the treasury to the Postal Service would preclude this, Runyon told reporters in Washington. About half that amount, in a bill recently signed into law, is to cover health benefits of postal retirees; the remainder, awaiting congressional action, is to subsidize mailings by nonprofit organizations, as mandated by Congress.

Rates were last raised in 1991, and Runyon noted that the rates have never been stable for as long as four years since the Postal Service became an independent agency in 1971. He would not speculate on how large a rate increase he would have to seek. The 1991 rate increase averaged 19 percent for all classes of mail.

In his year as postmaster general, Runyon has begun implementing a plan to streamline the service's bureaucracy and reduce its size in an effort to keep long-term postage rates at least somewhat cost-competitive with other ways of delivering information, such as faxes. ■

Trade Mission To Mexico Slated For Fall By SBA

If you would like to meet Mexican business people interested in U.S. goods and services, consider joining the U.S. Small Business Administration's trade mission to Monterrey and Guadalajara, Mexico, Oct. 25 to 29. Mexican buyers will be looking for products in several industries, including auto manufacturing, construction, metalworking, pollution control, packaging, and food processing.

The cost is $1,500 plus airfare, hotels, and meals. The SBA will close registration in early September. Call your local SBA office or 1-800-827-5722. NB

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Managing Your Small Business

Make your mark your own; keep an eye on competitors; give the gift that keeps on promoting.

By Roberta Maynard

PATENTS

Protect Your Trademark Before You Start Using It

Being the first to use a unique name, symbol, design, or slogan affords certain rights under common law, but protection is much stronger if you register your mark—before you use it—with the appropriate state agency or with the U.S. Patent and Trademark Office.

"Many clients do both," says Deborah A. Savarese, a trademark attorney in the Dallas office of the Hopkins & Sutter law firm. "Often they start with the state, then go for federal protection as the business branches out into other states." You are entitled to federal registration only if you plan to use the mark in more than one state.



PHOTO: ©JOHN R. FULTON JR.

Trademark attorney *Deborah Savarese advises that you protect your business's mark before you invest in advertising.*

The process begins with a records search to ensure that your mark isn't already in use. A search can be done by a trademark lawyer or company, or you can conduct your own search by using one of the many U.S. patent office libraries throughout the country. For the location of the library nearest you, contact the patent office headquarters, in suburban Washington, at (703) 557-4636.

You can request a very limited search or a "full search." A full search covers federal records and the records in all the states as well as a check for existing marks that may be protected under common law. A full search typically costs about $300, but the figure can be higher if you plan to use the mark in more than one way or in several industries, Savarese says.

The key is to protect your business's mark before you invest time and money in advertising and product development, Savarese advises. "Business owners start out without a lot of money and want to get going with the business," she says. "Once the business is established, then they think about how to protect their name. [Trademark protection] may seem cost-prohibitive at the beginning, but it's worth it. The whole value of a catchy name is no good if you can't use it." ■

MARKETPLACE

Why You Should Analyze The Competition

If stiff competition is a fact of life in your business, you may want to begin systematically keeping tabs on your competitors—what they do, how they do it, and what motivates them.

While it sounds a little cloak-and-daggerish, it's just good business, says Cheryl A. Poirier, manager of business-intelligence operations for the Futures Group, Inc., in Glastonbury, Conn.

"You're not [seeking] proprietary information but trying to get a feel for the decision makers and how they react to different situations," according to Poirier. "The key is to keep it legal and ethical."

Keep a small file on competitors and routinely review it, she says. Sources of information may include industry analysts, customers, suppliers, trade journalists, and even someone in your business who has worked for a competitor. And, of course, you should make your own observations.

Watch competitors' actions in the marketplace. "Knowing that a competitor has taken actions A, B, and C may make it possible to predict action D," Poirier says. People tend to repeat what they have done before, so look for patterns, she advises.

In past crises, did a certain decision maker take chances or adopt a conservative stance?

Try to understand the decision makers' personality types:

- Do they risk corporate assets?
- Do they make strategic decisions as part of a team or act as lone wolves?
- Are decisions made intuitively or through established processes?

Listen to your competitors when they address local business or community groups. This information can give you a better understanding of their views and management styles.

Keep track of interviews they give to the local media to try to determine strategy.

If competitors are based in another area, subscribe to their local newspapers and watch their want ads for signs of new directions. You may discover that they are introducing new products or increasing their sales force, Poirier says. Such facts may give you an edge. ■

MANAGING

Be Innovative And Try A Satellite Seminar

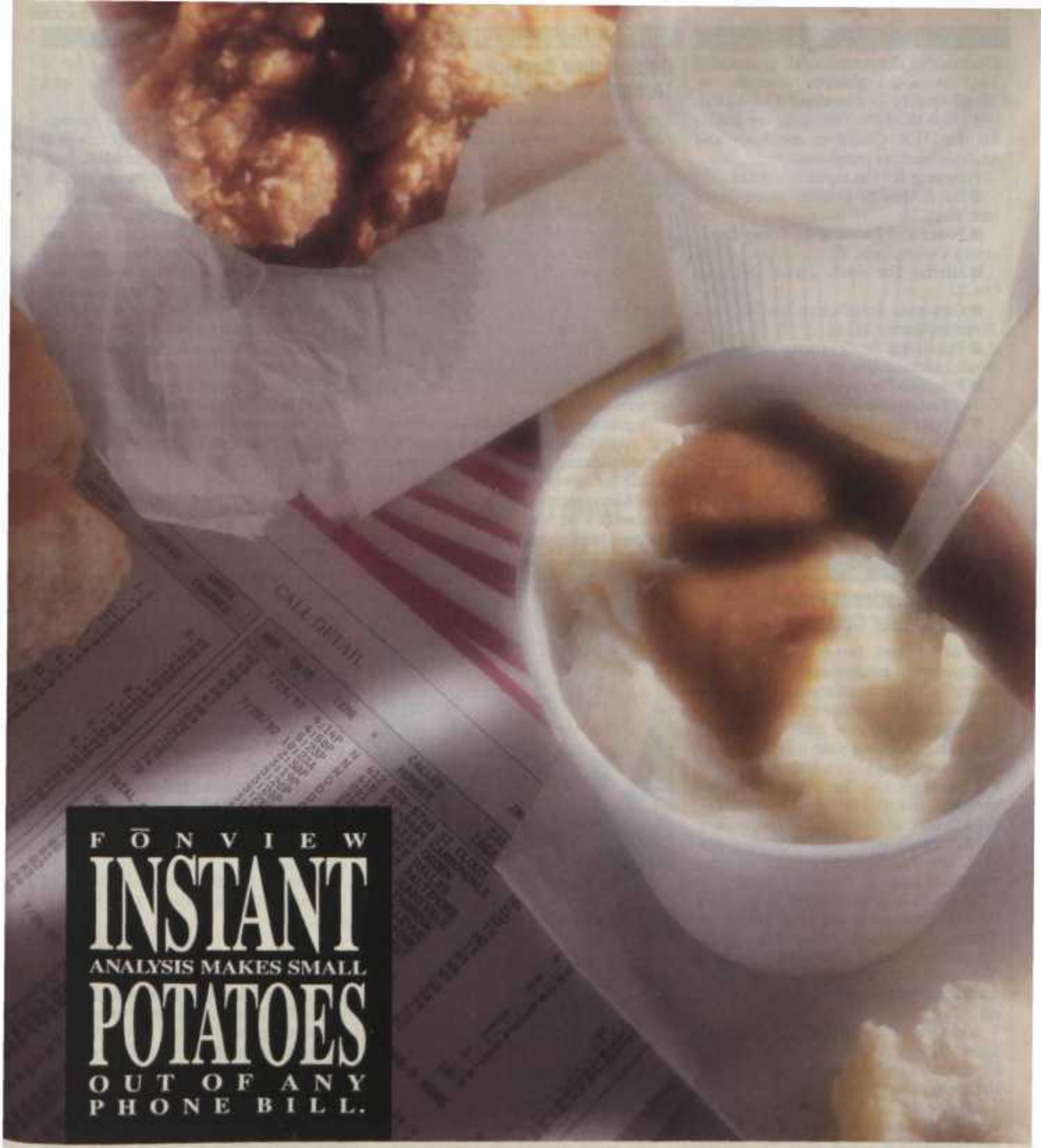
The ability to look at business challenges in new ways may be the key to developing products and services that really stand out from the crowd.

"We get locked into our own thought patterns and processes," says A. Blanton Godfrey, chairman of Juran Institute, Inc., in Wilton, Conn. "To improve our company, we need to learn how to be innovative and creative. We need to break the rules."

This means "turning an idea on its head," Godfrey says, asking whether each step of a process adds value for the customer, and removing unneeded steps that merely create extra work.

For example, one company reduced its instructions for taking leave when a family member dies to just one sentence: "If a death in your immediate family requires you to take time off, please notify your supervisor." Before the change, 12 pages had been devoted to the subject in the employee manual.

Innovation involving turning ideas on their heads is one of the topics in the U.S.



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Chamber of Commerce's fall program of live, interactive satellite seminars on "Total Quality Leadership." For details, call 1-800-835-4730. Discounts are available for U.S. Chamber members and multiple seminar purchases.

Following are the topics and dates:

- Be A Quality Leader, Juran Institute, Sept. 16.
- Power and Leadership, Covey Leadership Center, Sept. 29.
- Mining For Gold, Juran Institute, Oct. 7.
- Customer Satisfaction and Loyalty, Juran Institute, Oct. 14.
- Innovation & Creativity in Quality, Juran Institute, Oct. 21.
- Principle-Centered Leadership, Covey Leadership Center, Nov. 2.
- Quality for Work Groups, Juran Institute, Nov. 10.
- Creating Systems for Peak Performance, Joiner Associates, Dec. 1.
- Master Improvement, Part 1, Dec. 8.
- Master Improvement, Part 2, Dec. 16. Parts 1 and 2 by Joiner Associates. ■

GOVERNMENT CONTRACTS

Getting New Business Through Certification

Increasingly, city, state, and federal agencies—and even corporations—want to do business with companies that are owned and managed by women or by those described as "socially and economically disadvantaged." Some procurement offices even require companies to be certified as either female-owned or minority-owned before allowing them to bid on jobs.

Around the country, state and local agencies as well as some independent groups are approved to handle certification.

About 19 states have specific programs for women.

To gain access to most federal contracting opportunities as a company with minority-status ownership, the company should be approved for the Small Business Administration's 8(a) loan program. To qualify, a company must have been in business for two years and be 51 percent owned, operated, and managed by a socially and economically disadvantaged individual.

Last year, the Small Business Administration (SBA) processed 1,200 new 8(a) applications and approved more than half. The program has 4,300 companies participating.

Call your local SBA office for application forms and for information on workshops about the program. Once completed paperwork is received, the average response time is 140 days. There is no fee. Certification is valid for up to nine years, subject to annual review.

To companies considering applying, the SBA offers these tips:

- Don't apply to the program until your firm is established and has the infrastructure necessary to compete in the "demanding marketplace" of government contracting. It is not a program for start-up businesses.
- Attend an SBA 8(a) workshop to determine if you might be eligible and to learn how to complete an application.
- Complete the paperwork carefully. The majority of applications received are incomplete, which bogs down the certification process. ■

MARKETING

Make Promotional Products Work For Your Company

Instead of just being a giveaway, a well-chosen promotional gift can strengthen the relationship between a business and its customers.

"When choosing a gift, try to find something that sets your company apart from others," says Ellen Daly, manager of the Bankette Co., Inc., a promotional-products distributor in Quincy, Mass. Seek items that stimulate interest or have special significance to the customer, she says, and try to tie the gifts to your marketing plan.

An example is the T-shirt promo used by the McSweeney & Ricci Insurance Agency, in Braintree, Mass. The agency has different target marketing programs to attract commercial clients in eight trades, including landscaping and electrical repair.

When attending trade shows, the agency brings good-quality T-shirts bearing a picture and logo designed for each of the trade groups.

The T-shirt for landscapers features a shovel and a mound of dirt and says, "We dig landscaping." The shirt for electricians shows an electrical plug and says, "We're the right connection for you."

The phrases on the T-shirts are repeated in literature and direct-mail appeals. The T-shirts are given to qualified leads only.

"People tend to not want to talk to insurance companies at trade shows, but the shirts really brought them in," says Marketing Manager Mary Lou Leary. Last year, when the T-shirts were used at a trade show for the first time, they generated 30 leads, which resulted in four accounts. This year, the shirts produced 63 leads that have resulted in seven accounts so far.



PHOTO: ERICK FREEDMAN—BLACK STAR

Promotional items *create insurance-business contacts for Timothy Kane, left, Paul Marks, and Mary Lou Leary.*

Finally, if you have to do promotional gifts on the cheap, it may be better not to do them at all. "Give a good-quality gift, and the customer will respond with a positive view of your company," Daly says.

"Give an item that's perceived to be of insignificant value, and the customer harbors negative attitudes toward the giver." ■

NB TIPS

Help For Exporters

Advice to novice exporters is available on a new 35-minute videotape offered by the U.S. Small Business Administration and the Bank of Boston. "The Basics of Exporting" provides information on selling and distributing, shipping or delivering goods overseas, payment mechanisms, sources of financing, and marketing resources.

To order the $30 tape, call the Small Business Administration at 1-800-827-5722.

Tax Advice

Doctors, architects, engineers, and others who offer professional services will find tax-planning help in *Tax Guide for Professionals*, published by Commerce Clearing House, Inc.

The 80-page paperback addresses the particular concerns of professionals, who are often subject to special tax rules. The book offers advice on the tax implications of forming a partnership and selling the practice; treatment of professional income and expenses; and advice about pension plans and other fringe benefits. Also included are explanations of sole proprietorships, partnerships, C and S corporations, and limited-liability companies. In addition, the book outlines strategies to minimize your tax burden. Examples are included.

To order, call 1-800-248-3248, and refer to stock number 5443. The cost is $12.95 plus shipping and handling. NB



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Making It

Growing businesses share their experiences in creating and marketing new products and services.

Flying High On Bird Food

By Sharon Nelton

When William D. Engler Jr. and his wife, Gail, returned home to rural Chilton, Wis., from the White House ceremony in May that recognized him as the Small Business Person of the Year, they were in for a surprise. In their absence, the employees at Engler's company, Kaytee Products Inc., had organized a welcome-home parade—complete with fire trucks and the high-school band.

"It was really a wonderful opportunity for the employees, who have worked so long and hard to help grow this company, to celebrate *their* success," says Engler's sister, Virginia Duncan, Kaytee's vice president of public relations.

Kaytee produces food for small animals, such as hamsters, gerbils, guinea pigs, rabbits, and even rats and mice. But it is best known for its food for wild and pet birds.

"Our company mission is to provide quality foods and services for America's enjoyment of birds," says Engler.

A family-owned company, Kaytee started out as a feed mill in 1866. Bill Engler, 56, the fourth-generation chief executive, shares ownership with Duncan and their brother, Michael Engler, who is vice president of purchasing. Their father, Bill Sr., 81, who winters in Florida, still spends time at the company every day when he's in Wisconsin.

In naming Bill Jr. as the top small-business person in the country, the U.S. Small Business Administration cited Kaytee's growth since Engler took over leadership in 1984, when the company had about 60 employees and $10.6 million in annual sales. Today it has more than 350 employees, and Engler says sales for the fiscal year that ended June 30 were up 30 percent over 1992's $70 million.

Kaytee established a West Coast presence in 1991 when it acquired United Pacific Mills, a Southern California manufacturer of foods for wild birds and small pets. But what perhaps stirs the most excitement is a cutting-edge avian research center occupying 8,000 square feet of a Wisconsin headquarters building. Engler says destruction of the world's rain forests is eliminating the natural habitats of exotic birds. The center is

Bird-food producer *William D. Engler Jr., CEO of Kaytee Products, feeds "Charley," a rare thick-billed parrot; on the ring is mascot "Smurf," a blue-and-gold macaw.*



PHOTO: BRUCE R. BUCHANAN

devoted to preserving exotic species and encouraging domestic breeding through the study of avian nutrition and management. Most of the center's 1,300 to 1,500 inhabitants are on the list of threatened or endangered species.

This is clearly a business with a heart. After Hurricane Andrew hit South Florida last year, Kaytee and its employees sent food, water, and 40,000 pounds of bird food to the area. Kaytee also sent staff veterinarian Blake Hawley, who took medical supplies and spent a week going from aviary to aviary to treat injured birds and setting up distribution points for people to get food and water.

"It was a very powerful experience," says Hawley. The company showed a "total disregard for profit or anything that had to do with the business," he says. "It was total concern with those animals and people."

Bill Engler Jr., who gave up a successful law practice to head Kaytee, says he's carrying on his father's vision. The company had gotten into pigeon food at the request of breeders in the 1930s. Bill Sr., who joined Kaytee after World War II, saw the potential in food for other birds.

Asked to describe his greatest contribution to Kaytee, Bill Jr. hesitates. "When you ask a question like that, you're asking me to talk about myself, and that's always difficult," he says. "We try to think in terms of 'we' rather than 'me.' " When pressed, however, he says his function is to create a vision for the company and to establish and reinforce the company's culture. At Kaytee, he says, "we try to be sensitive to individuals for what they are and treat them in a respectful way."

It's too early to say exactly what's next for Kaytee, Engler says. Just this summer, company leaders and advisers launched a process designed to produce a plan for the next three to five years, now that the goals of an earlier plan have been achieved. Lower-level employees and plant employees are also involved because, says Engler, "a lot of times they see things that we don't see."

Engler doesn't rule out the possibility of expanding into foreign markets. "In a category that has the potential volumes that ours does, if you're not an international player, you're going to have a hard time staying around," he says.

However, by Engler's calculations, there is still tremendous opportunity on the domestic front. While one study shows that more than 50 percent of Americans would like to have a pet bird, he says, only 6 percent of households actually do.

He's also eyeing those ever-aging baby boomers: "Seventy percent of the people who buy wild-bird food are over 40." Filling that baby-boomer bulge with bird food should keep Engler and Kaytee Products busy for a long time to come. ■

Front Porch On The World

By Rosalind Resnick

For Jeff and Mary Freeman, dialing up computer bulletin boards isn't just a hobby, it's a low-cost way to build a business. By spending less than $200 a month to run a classified ad on CompuServe, one of the nation's leading on-line services, the Chatsworth, Ga., couple has built Front Porch Computers from a tiny home business to a $4-million-a-year international powerhouse.

Launched in 1991, Front Porch now sells IBM personal-computer clones, modems, and other computer devices to customers as far away as Europe, South America, and Asia. (Online services such as CompuServe, Prodigy, and America Online, with more than 4 million subscribers nationwide, offer access to electronic mail, bulletin boards, and other features to anyone with a personal computer and a modem.)

Without their CompuServe link, says Jeff Freeman, 27, their business would be "nowhere." That's because Chatsworth, population 5,000, is 100 miles north of Atlanta, and the Freemans' computer store is the first and only one the town has ever had—or is ever likely to have.

"With a store in a town like this, you may sell one computer at a time, but on CompuServe you may meet somebody who wants to buy multiple computers for his business," Jeff says.

Growing up in Chatsworth, Jeff got his first computer—a Radio Shack Model 1—as a Christmas gift when he was in high school. By the time he was 16, he was dialing up local bulletin boards to retrieve copies of software programs and to chat with other callers. When Jeff was a student at Georgia State in Atlanta, he met Mary, a bank employee and computer hobbyist, at a party given by a local bulletin board operator.

Three months before graduation, Jeff's grandfather had a heart attack, and Jeff, then 21, returned home to help run his grandfather's engineering business. But his interest in computing never flagged: He and Mary, now 33, started the Front Porch BBS (short for "bulletin board system") from their house and, before long, had attracted 500 users.

When the Freemans launched Front Porch Computers, they kept "Front Porch" in the name to convey a homey, rural image. Jeff had noticed that not many computer merchants were using the new on-line services to market their wares. He tested the waters with a $10 classified ad that went largely unnoticed, but a second ad, a teaser hawking low-priced modems and listing the Freemans' phone number, was a hit.

"Price was the big thing in the beginning," Jeff recalls. "We weren't always the lowest, but we tended to be lower than other folks, and we stood behind what we sold."

Today, many of their customers are large organizations such as Calvin Klein Germany, based in Dusseldorf, and Bahrain Petroleum Corp., based in Bahrain. Jeff says it's far more profitable to sell large orders to big corporations than to make sales by ones and twos.

The Freemans own the company 50-50 and still work from home, though they've also set up shop in a storefront several houses down and hired three part-time employees to answer the phones. Jeff does the selling; Mary handles the back office and deals with suppliers. "We've never had an argument," Mary says.

Jeff is confident their business, which is debt-free, can continue to thrive, despite a slim profit margin of 5 to 10 percent and ongoing price wars that have crippled many of their much larger competitors in the PC mail-order business. Says Jeff: "The better the name recognition you have, the less you have to compete on price." ■



PHOTO: © JOHN DICKERSON

Mail-order marketers *Jeff and Mary Freeman have gone global with their Front Porch Computers firm.*

Rosalind Resnick is a free-lance writer in Hollywood, Fla.

Permanently Temporary

By Michael Barrier

John Chuang got into business in 1986, when he was a junior at Harvard College. He was working on a student publication, the *Harvard Political Review*, he recalls, "and we needed to produce it with no money." He and some other students used one of Apple Computer's Macintosh personal computers and a desktop publishing program to produce their next issue, "and we realized that not only was it incredibly cheap, it was of much higher quality" than pages assembled by hand.

Chuang and two fellow students he met when they were all freshmen started a company, Laser Designs, in Cambridge, Mass., to sell some of the same services that they had found so appealing. Their first big contract was to produce the Harvard Business School's weekly newspaper. "It gave us a weekly revenue stream," Chuang says, which they poured back into the business.

Laser Designs got under way at the height of the stock market boom of the mid-1980s, Chuang recalls, "and a lot of my classmates went to Wall Street." After graduation in 1987, his partners went there, too, but Chuang chose to stay with the little typesetting firm.

That fall, Laser Designs started offering what it called "MacTemps," temporary workers who were skilled in programs that ran on the Macintosh.

"We did no analysis of the market," Chuang recalls. "We basically ran an ad in an obscure Boston computer magazine that said, 'You didn't buy just any computer; why hire just any temp to use it?' And we started getting calls."

The company soon entered other markets — New York was the first, in 1988. "In the beginning, we weren't the best temp agency around," he says. "But we were the only one that could provide a certain type of person. That gave us the breathing room we needed."

MacTemps' market niche has proved to be comfortably large: Chuang says the company had revenues of $21 million last year, up from $13 million in 1991. It now fields about 5,000 temps in 21 cities. Chuang, 28, owns 82 percent of the company, and his two co-founders 9 percent each.

At the start, Chuang and his partners were equal owners. "The percentage changed," he says, after they left him alone to run Laser Designs. The company changed its name to MacTemps in 1992.

Chuang grew up in Queens, N.Y., the son of immigrants from Taiwan who had come to the United States in the '60s to attend college. He majored in economics at Harvard, and by his sophomore year he had decided on a career in business. Chuang earned an MBA by attending Harvard Business School from 1990 to 1992. He ran MacTemps at the same time, but he spent only about 10 hours a week in the office. He has no particular expertise in computers. "I think if I were a really technical person, the business would probably suffer," he says.



PHOTO: SWEBB CHAPPELL

Harvard business graduate *John Chuang's MacTemps, in Cambridge, Mass., supplies temporary workers skilled in programs that run on Macintosh computers.*

Chuang says there's a big difference between MacTemps and the much larger general temp agencies. "We don't compete in the clerical or light industrial area," he says. "All we deal with is the high-skilled office work," such as desktop publishing and complex word-processing programs. "We believe that the key is learning software, not hardware."

For all its growth, MacTemps still has only about 100 full-time employees and a fashionably flat management structure. "Lots of hierarchy is not only incredibly costly, but it separates us from the customers and the employees," Chuang says. "From the branch manager, we go straight to our operations vice president here at headquarters," with no district or regional managers in between.

As a corollary to that structure, he says, "our branch manager is paid more and has higher skills than most branch managers for other temp agencies. We want to keep our best people as close to the customer as possible. We want to keep our best people on the line, solving customer problems."

Chuang doesn't like to hire branch managers who have been managers for other temp agencies. He says they're used to command-and-control management and have trouble adapting to an environment where they're supposed to be more like coaches. But he does like to hire managers who have worked as temps themselves.

If there is a cloud over MacTemps' future, it may be in the increasing dominance of just a few programs for word processing, spreadsheets, and other applications. It is becoming easier for MacTemps to meet customers' needs because it is less likely that the company will be asked to provide a temp skilled in some arcane software. But it is also becoming easier for big competitors to meet those needs.

The software itself is changing rapidly through accelerated upgrades, Chuang notes. "And our specialty now is being able to keep up with the innovations, and having people who are always ready to use the latest versions of the software."

That kind of nimbleness allows MacTemps to grow without being stepped on by its much larger competitors. "Service companies are nothing but people and managerial skills," Chuang says. "We have nothing to hide behind. It's just us, thinking about new services and how to do things better. If we don't do that, all the time, we'll get crushed." NB

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COVER STORY

Prepare For The Worst

By Sharon Nelton

It started seeping into the yard on a Sunday. By Tuesday, it was in the office, and when the Mighty Mississippi finally crested 11 days later, the water inside the Muscatine, Iowa, branch of the Hawkeye Lumber Co. was more than four feet deep.

At first, manager Wayne Lindley thought the office records were high enough off the floor to be safe. But as the predictions of how high the crest would be rose and rose, he and some other employees donned waders and went in to rescue files and furnishings, loading them on a boat and taking them to higher ground.

"We operated off of my kitchen table for about a week and a half," he says. Then they moved to a temporary office up the hill from the store, drawing on the company's Iowa City yard 40 miles away for merchandise.

"We're losing in the neighborhood of $6,000 to $7,000 a day in sales, and that's been going on for three weeks now," Lindley said on July 20, when the water in the building had receded to 10¼ inches. By early August, the water was gone, and the damage was still being assessed. "It's going to be sizable is all I can tell you," said Lindley.

Hawkeye Lumber is just one of thousands of small to medium-sized businesses victimized by the enormous Midwestern flood of 1993. And it is just one of tens of thousands of businesses that have been hit by sweeping disasters, natural and otherwise, in the past several years: hurricanes Hugo, Andrew, and Iniki; two northeasters, the Los Angeles riot, and Chicago's underground flood last year; and in this year alone, the explosion at the World Trade Center in February, the so-called storm of the century in March that battered the Eastern Seaboard with hurricane-force winds as well as tornadoes and 10 to 40 inches of snow, and the flood that seemed would never end in the Midwest.

Then there are the smaller, less visible disasters—usually fires—that level businesses and break their owners' hearts one by one.

In the first 10 months of this fiscal year,

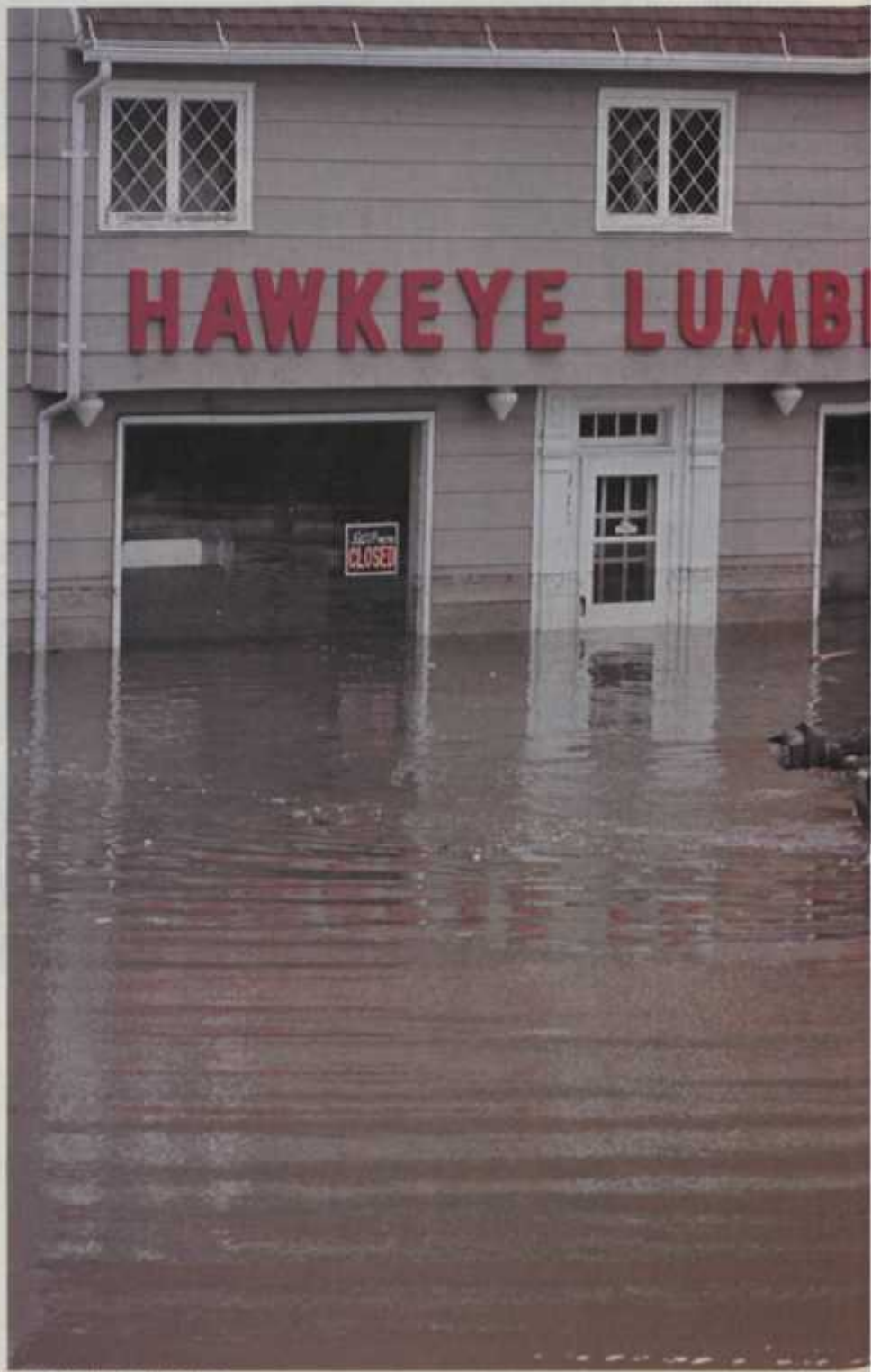


PHOTO: EDWARD SUTTON—PICTURE GROUP

Planning for disaster can help you curb the damage, recover more quickly, and uncover hidden opportunities.



PHOTO: PETER TURNLEY—BLACK STAR



the U.S. Small Business Administration's disaster assistance program approved loans totaling $847 million to help more than 18,000 businesses recover from disasters such as Andrew and Iniki—almost double the $443 million in loans to 8,143 businesses last year.

Those figures should be evidence enough that catastrophe can strike any business. What the figures don't show, however, is how advance preparation can help a business to mitigate damage and speed its recovery from a disaster.

"We have seen that too many organizations make the recovery process harder for themselves—or even impossible—by not planning ahead for disaster recovery," says Steven Lewis, president of the Systems Audit Group, Inc., a Newton, Mass., management advisory firm that specializes in disaster-recovery planning for banks and other organizations. "While they may take steps to try to prevent disasters, they ignore the reality that prevention doesn't always work."

Business owners and managers can learn from those who have survived catastrophe—both from what they did right and from their mistakes. *Nation's Business* asked such business owners as



PHOTO: EDWARD SUTTON—PICTURE GROUP

Before the crest *in Muscatine, Iowa, Hawkeye Lumber manager Wayne Lindley, right, and assistants David Ritchie, left, and Mike Ritchie move furnishings to higher ground.*

well as disaster-recovery specialists what smaller companies can do to prepare for disaster. Following are their suggestions:

Draw Up A Plan

Carolyn Deasy Pizzuto of CDA Management Consulting Inc., in North Royalton, Ohio, urges business owners to consider damage-control strategy. "Take time every year to think about what you can do differently to protect yourself," she says. Bring key staff members together for four or five hours to go through these steps:

1. On a flip chart or a board, draw four columns labeled Disaster, Prevent, Control, and Opportunity.

2. Discuss potential disasters first, asking yourselves what disasters the company is vulnerable to. These should include not only natural disasters but also possibilities such as litigation, dependence on a customer who gives you the majority of your business, delayed cash collections, embezzlement, or even the fact that you have a variable-rate loan. List these items in the first column.

3. In the Prevent column, list what can be done to prevent each disaster or lessen the risk. If the disaster is fire, for example, your list might include increasing your insurance, reducing inventory or storing some of it at a separate location, and installing an alarm system. Assign individuals to put each of the steps into effect.

4. The Control column addresses action you can take now to mitigate the damage. For example, if the disaster is the death of a partner or your top designer, you might list "obtain key-person insurance." If it's a lawsuit, you might list putting a law firm on a retainer, with your payments accruing toward such an event. Again, put someone in charge of each action.

5. In the last column, list ways each disaster might be turned into an opportunity. For example, a fire might give you a chance to redesign your facility more effectively or to get out of a lease that no longer suits your needs. Planning for opportunities needs to be creative, says Pizzuto, and you "have to have your wits about you," something you don't always have under the stress of disaster. It's somewhat like making advance funeral arrangements so that you are making decisions, she says, "when your judgment is clear."

If your business is so small that you don't have enough key employees to go through this process with you, Pizzuto suggests you do it with several other business owners.

Give Employees A Disaster Manual

Since Hurricane Andrew, each employee at Adorno & Zeder, a Miami law firm, has been issued a disaster-preparedness manual with information about emergency contacts, evacuation procedures, and what to do in the event of hurricane, fire, crime, phone or power failure, medical emergency, or other crisis.

The company has also set up an emergency telephone system to contact employees at home so it can learn if they are safe or need help and when they can return to work. Five captains spread throughout the three counties where the firm has offices are each assigned a team of employees to contact. If the workers can't be reached by phone, the captains drive to the employees' homes to check on them.

All employees have also given the company names and phone numbers of two people who don't live with them as a further aid to locating them during an emergency.

Keep the document to no more than 20 pages so that it will be read and used, says Steven Lewis of the Systems Audit Group. Lewis says the plan should cover employee assignments, an updated inventory of equipment, and all key phone numbers, including all employees, off-site storage locations, board members, major customers, and home telephone numbers of insurance agents and other critical contacts.

Review your plan with employees regularly, and make sure they know basics such as where the fire extinguishers are and how to use them. Many experts, Lewis among them, recommend cross-training employees so they can fill in for missing co-workers.

"The best basic rule of thumb is that when disaster occurs, employees should know what they are responsible for and are *not* responsible for, who is in charge, and who is the designated alternate in charge," Lewis says.

Having alternates available is important, Lewis notes, because the people usually in charge may themselves be victims of the disaster.

You should be realistic. Lewis recalls one client who planned to relocate a key department temporarily to a site four hours away, without realizing that most of the affected employees were single parents who couldn't be so far away from their children.



PHOTO: STEVE BERNHOFT—BLACK STAR

A flooded basement *two years ago taught Christine Bierman of Colt Safety, in Brentwood, Mo., to stack merchandise off the floor and to get flood insurance.*



Buy Insurance

The importance of having insurance and keeping it up to date was underscored for Christine J. Bierman two years ago. Through a tragicomedy of errors, she found out too late that she didn't have flood insurance. Bierman, president of Colt Safety Inc., a distributor of protective equipment, in Brentwood, Mo., near St. Louis, says first her banker slipped up

The Long Road Back To Emotional Recovery

The trouble with a disaster is that it's not over when it's over. Emotional recovery may take the longest time of all, for both business owners and their employees. Some mental-health professionals call the emotional toll that follows a catastrophic event the "second disaster."

When you are putting together a disaster plan for your company, some say, it's smart to take into account the stress reactions that you and your employees will undergo.

"Try to understand that there are bona fide stages of disaster that people go through," advises Pamela L. Deroian, a clinical psychologist at the University of Miami.

Deroian has firsthand experience. She and her daughter, then in third grade, lived in Charleston, S.C., when Hurricane Hugo swept through in 1989 and destroyed their home. They moved to Florida in 1991 and relived the nightmare when Andrew hit a year later. Deroian frequently works with businesses to help employees deal with post-catastrophe stress.

According to Deroian, four stages follow a disaster:

1. Inventory: When victims become aware of the extent of destruction and contact fellow survivors.

2. Rescue: When outside help is brought in and the community mobilizes. "Most individuals begin to exhibit stress reactions during this time," Deroian says.

3. Remedy: Long-term rebuilding, which may last a year or longer. "A strong community morale evolves during this period," Deroian says.

4. Recovery: "The victims become 'survivors' as grief work is completed," says Deroian.

Among the emotional reactions that people have after a disaster, according to Deroian, are a sense that life is out of balance, disbelief, sadness, anger and irritability, fear of going crazy, forgetfulness, and survivor guilt. They are the same as the reactions to other kinds of trauma, such as the death of a loved one.

Here are some ways you can help yourself and your employees shorten the recovery time:

■ Arm yourself and your employees with knowledge. "Knowledge is very, very powerful in these situations," Deroian says. It helps people to understand that the emotions they are experiencing are normal stress reactions and that they're not going crazy. "Reactions can vary widely from one day to the next," she says. "Don't be alarmed by the re-emergence of emotional feelings after days, weeks, or even months." (One useful education tool is the booklet *Back From Disaster.* See the box on Page 24 for information.)



PHOTO: ©FRANK ZAGARINO—BLACK STAR

A survivor of two hurricanes—*Hugo and Andrew—psychologist Pamela Deroian, at a gutted south Florida building, understands emotional recovery firsthand.*

■ Watch for signs of stress in employees to determine if special help or action may be needed. Some indications are higher job turnover, absenteeism, depression, or employees' inability to concentrate, Deroian says.

After a widespread disaster, people will have stress reactions to living in a stressful environment. If their homes were damaged, they may have to live with others while contending with rebuilding. If their workplace was destroyed, they may find themselves relocated to cramped quarters. Debris in the roads may make it harder for them to get to work. Because they must spend more time working and commuting, they worry that they have no time for their families.

You may need to let employees use the phone during the workday to arrange for home repairs or negotiate with insurance companies. Anticipate that they will ask for time off to oversee the restoration of their houses.

■ Encourage employees to take care of themselves, but take care of yourself, too. Deroian says health may suffer under long-term stress. Headaches, stomach or intestinal problems, high blood pressure, heart problems, colds, and an increase in allergies are common in people under stress.

A year after fire leveled his furniture factory, Dale H. Fox of the Fox Manufacturing Co., in Albuquerque, N.M., developed—and subsequently beat—a form of cancer known as lymphoma. He doesn't know if the cancer was triggered by the stress resulting from the fire, but it "could have been," he says.

Christine J. Bierman, whose company, Colt Safety Inc., near St. Louis, lost $500,000 in inventory to a flood two years ago, berated herself for not having had flood insurance. "I just felt like a failure," she says. Normally athletic, she quit exercising and says she let "manicures and looking nice" fall by the wayside.

"I should have taken the time for me, and I didn't," she says, adding that it took her almost a year and a half to feel like she had come back. Deroian advises disaster survivors to get back into normal routines as quickly as possible and to exercise, follow a good diet, get adequate sleep, and take time off for fun.

■ Be aware that relationships are particularly vulnerable after a disaster. According to Carolyn Deasy Pizzuto, a management consultant in North Royalton, Ohio, a disaster can cause stress not only in personal relationships but also among partners or among family members who work together. Business owners may feel they're getting grief at home while they have all these problems at work, she says.

"It's a time to call upon your best advisers," says Pizzuto, suggesting you bring your lawyer, your accountant, and other advisers together as a group. "Let them tell you what they see is happening."

■ Be patient, and encourage employees to be patient and tolerant. Many workplaces in the Miami area consist of both people who went through the worst of Hurricane Andrew and people whose neighborhoods were untouched. Employees who hadn't experienced the hurricane often became intolerant of the ones who had, wanting them to stop talking about the storm and get on with their lives.

Deroian, however, says, "One of the best things people can do is talk about it again and again and again, because each time you talk about it, you relive it with more mastery and control, and it helps the healing." ■

by letting her buy a building in 1989 without the insurance because he was confident she would get it. That was her intent, and she instructed her insurance agent to obtain it.

The matter was forgotten until a storm sewer overflowed, pouring water to a depth of three feet over the company's 18,000-square-foot basement and destroying $500,000 worth of merchandise. Only then did Bierman learn that the agent hadn't followed through and that she was not covered.

It's not enough just to renew your policies annually. "With the rate of buildings going up and contents going up and so on, you have to re-evaluate your coverage every year," says Dale H. Fox of the Fox Manufacturing Co., in Albuquerque, N.M. Fox is a furniture manufacturer and retailer whose factory was destroyed by fire three years ago.

Find an insurance agent you trust, one who will make sure you understand your coverage. In addition to covering buildings, equipment, and inventory against such perils as fire, theft and vandalism, Pizzuto says, you should consider buying business-interruption, liability, and key-person insurance. (See also two *Nation's Business* articles of earlier this year: "Business Lessons From A Disaster," May, and "Business Insurance Will Cost You More," June.)

Build Good Relationships

Establish ties with your firm's "significant others," such as bankers, vendors, customers, lawyers, accountants, insurance agents, others in your industry, and government officials. These are the people who will see you through.

"Cement relationships when you don't have a catastrophe," Fox advises. "Don't be out there trying to walk over people. Make sure that it's a two-way street. Then if something does happen, you don't have to be ashamed to call them and say, 'I need help.' "

After the fire, Fox immediately informed his bank, and when he found a building suitable for relocating his business, he was able to get a $1 million loan within four days. "They knew who I was," he says. "They knew what my business was. They knew what my financial condition was. I didn't have to go to them and sell them on who I was when I needed it."

The day Christine Bierman's building was flooded by the storm sewer, someone she knew at her local U.S. Small Business Administration office gave her an idea that kept her business from being destroyed by her uninsured $500,000 loss: Get the area declared a disaster area within 48 hours, she was advised, and then she would be eligible for a federal disaster loan.

Bierman was surprised at the suggestion because she hadn't realized that other buildings besides hers were flooded. She persuaded local television and radio stations to broadcast the problem, and she mobilized other people to put pressure on local authorities. The next day, the section of St. Louis County affected by the flood was declared a disaster area.

"Ten weeks and 10 inches of paperwork later," says Bierman, "we received a long-term, low-interest disaster loan worth close to $500,000."

Both Bierman and Fox say that most suppliers and customers stood behind them and gave support. Two of Bierman's largest customers—Shell Oil Co. and Southwestern Bell Telephone Co.—speeded up payments, for example. Fox says some of his vendors volunteered to extend payment due dates and asked how else they could help.

Fox and his wife, Luana, a co-owner of the business, are returning the favor by helping other companies. When they hear of disasters to other businesses in Albuquerque, they call and offer their support, sometimes walking owners through the steps they need to take to get back on their feet. They also speak to business groups about disaster preparedness.

Consider Your Employees' Needs

Several days after Hurricane Hugo hit St. Croix, in the U.S. Virgin Islands, in September 1989, Richard A. Difede, president of Gold Coast Yachts, a yacht builder, was on a plane to the mainland. His mission was to get food, supplies, and even cash for his employees.

In a disaster, he says, "you can't produce without them, and yet their lives are going to be completely disrupted. They still need to pay their mortgages, and their car payments, and their children's school costs, and buy food." He stayed on the mainland for 10 days, arranging to ship back items that ranged from roofing materials to generators to dog food. The banks back home, Difede says, were "all blown away," so he made a Visa withdrawal every 24 hours, garnering as much cash as he could.

His goal was to take care of his employees' basic needs. "That way," he says, "they could focus on work and then not have to be 100 percent focused on survival."

Like Difede, many business owners make extraordinary efforts to help employees when disaster strikes. H. Michael Dye, president of the Miami-based engineering firm of Post, Buckley, Schuh & Jernigan, Inc., estimates that his company's relief activities for employees after Andrew struck south Florida came to at least $100,000 in labor and materials. The company purchased plywood, roofing materials, water, food, and other supplies from central Florida and trucked them south. The homes of about 35 employees were destroyed or badly damaged. Em-

Resources For Disaster Planning

Here are resources you can use in putting together a disaster plan for your firm:

Disaster Recovery Yellow Pages is a 200-page reference designed to help users locate crucial but hard-to-find recovery services throughout the country. The more than 1,600 vendors and resources listed offer, among other things, cleaning and restoration services, water-testing equipment, mobile buildings, trauma counselors, smoke and odor counteracting services, and risk-analysis software. Send your order with a check for $101 to the Systems Audit Group, Inc., 25 Ellison Road, Newton, Mass. 02159; (617) 332-3496.

Back From Disaster, a 60-page booklet, addresses the emotional stresses and mental-health issues that arise after a natural disaster. This bilingual publication (English and Spanish) can help business owners and employees understand the emotional reactions to catastrophe as well as what goes into emotional recovery. Single copies are available for $3 from Health Ink Publishing Group, One Executive Drive, Moorestown, N.J. 08057. For multiple-copy prices, call 1-800-524-1176.

Disaster Recovery Journal is a quarterly magazine free to anyone in the United States and Canada involved in managing, preparing, or supervising contingency planning. For other subscribers, the cost is $10 a year. Contact the magazine at P.O. Box 510110, St. Louis, Mo. 63151; (314) 846-1001.

Disaster Mitigation Guide for Business and Industry is a free publication available from the Federal Emergency Management Agency, 500 C Street, S.W., Washington, D.C. 20472. Ask for publication FEMA190.

Insuring Your Business, by Sean Mooney, is a 312-page guide to insurance coverage for business owners. Available for $22.50 from Publications, The Insurance Information Institute, 110 William St., New York, N.Y. 10038; (212) 669-9200.

Disaster Survival Planning: A Practical Guide for Business, by Judy K. Bell, is a 216-page book on how to develop, implement, and test recovery plans. It is available for $23.90, which includes shipping and the California sales tax on mail orders. Contact Disaster Survival Planning Inc., 669 Pacific Cove Drive, Port Hueneme, Calif. 93041; (805) 984-9547.

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ployees from other locations spent some workdays and weekend time helping them rebuild. The company's attorney helped employees who had legal problems, and its engineers checked the structural stability of workers' damaged homes.

Dye acknowledges that Post, Buckley, with 1,000 employees in 30 locations, had the resources to do more than smaller businesses can. But still, he says, "you have to take as many steps as possible."

Fox Manufacturing, in Albuquerque, suffered its fire early on a Saturday morning, and by Monday morning, Dale Fox had a letter ready so that employees could file immediately for unemployment compensation. In the letter he said the company would not dispute workers' claims and promised to put them back to work as soon as possible. Instead of contracting out the renovation work when he found a building, Fox rehired employees who could do electrical work, plumbing, painting, and construction.

Fox's recovery gained national attention through his selection as a national Blue Chip Enterprise Initiative honoree in 1991. (Colt Safety's Christine Bierman was a state honoree for Missouri in the Blue Chip program last year.)

That program, sponsored by the Connecticut Mutual Life Insurance Co., the U.S. Chamber of Commerce, and *Nation's Business* magazine, recognizes small companies that have overcome threats to their survival. (See Page 44 for details on the Blue Chip initiative.)

> **"Take time every year to think about what you can do differently to protect yourself."**
>
> —Carolyn Deasy Pizzuto, CDA Management Consulting

While many such survivors make recovery decisions on the spot, advance planning can provide guidelines and set limits.

Why limits? Judith A. Squillante, who is Post, Buckley's vice president for human resources, says that the company's corporate office and major hubs were "totally immersed" in helping employees get over the hump. "There was such an outpouring, and it just went on and on," she says. As a result, she thinks the company missed some business opportunities.

Understand The Terms Of Your Lease

After the Loma Prieta earthquake—which caused so much damage in the San Francisco Bay area in October 1989—destroyed the building that housed his store, Bookshop Santa Cruz, in Santa Cruz, Neal Coonerty moved into temporary quarters, a 50-by-100-foot tent, and dubbed it the "Booktent Santa Cruz."

According to the lease, if the building was destroyed, the landlord would rebuild with "due diligence" (a legal term referring to the necessity to give attention to the matter at hand), and Coonerty would be required to move into the new building and resume paying rent for the remainder of the lease—22 years.

The lease required Coonerty to stay in temporary quarters until the landlord rebuilt, but it did not set a time limit for the landlord to complete the work. The landlord told Coonerty he would rebuild but took no action.

"Finally I sued him and said, 'You haven't rebuilt with due diligence,'" Coonerty says. Earlier this year, Coonerty moved his shop into new quarters, and he is still in litigation with his former landlord over the old lease.

At first, Coonerty thought the lease's requirement made sense, but experience showed him it didn't. "You really have to have a way to get out of a lease," he says, "because things get very complicated when there's a large natural disaster."

Carolyn Pizzuto says there are two provisions you should examine closely when you are negotiating a new lease or a

Protecting Computers And Data

By Rosalind Resnick

The day after Hurricane Andrew ripped through south Florida, the Miami law firm of Adorno & Zeder started picking up the pieces and getting back to business. Blacked out of his offices 15 stories up, Henry Adorno, the managing partner, sent office workers with flashlights up unlighted stairwells to fetch files and computer equipment and transport them to the firm's Fort Lauderdale location.

That was a year ago. Now, Adorno & Zeder has a hurricane plan in place: The moment a hurricane watch is announced, staffers will move computers, printers, and other technological assets into an interior office sheltered from flying glass. And now that the 50-lawyer firm has offices in both Fort Lauderdale and Boca Raton, lawyers and other staff members could use the firm's computer network to transfer data files to safety and work out of the branch offices temporarily.

"Without our computers and files and Rolodexes, we were kind of lost," Adorno recalls. "This time, we'll be better prepared."

For a growing number of small firms, computers are lifelines that, if cut, could cause the heart of the business to stop beating—for a short time or permanently.

Surprisingly, though, few business owners take the trouble to protect their technological assets against natural disasters such as floods, fires, hurricanes, or earthquakes, or against calamities such as riots or bombings. Although most businesses carry insurance to cover their equipment, many small-business owners, figuring a disaster won't happen to them, ignore such basic safety procedures as backing up their computer data on tapes or diskettes for off-site storage.

"People would rather deny than act," says Joshua Lichterman, president of Emergency Management Group, a Berkeley, Calif., company that helps businesses set up disaster-recovery plans.

Here are five key ways that small businesses can protect their computers and data:

■ Perform regular backups of computer data, and store the tapes or diskettes in a safe place. For businesses with frequent data changes, a daily backup may be advisable; for other companies, once a quarter may be sufficient. Lichterman advises keeping one backup on site and another in a safe-deposit box.

■ Disaster-proof your office. Arrange furniture and computer equipment to guard critical items and records against leaks, floods, shattered windows, heavy vibrations, and earth tremors. Make sure that all doors and windows lock securely.

■ Buy a generator so you will have a backup power supply ready and waiting to run your equipment should the electricity shut down.

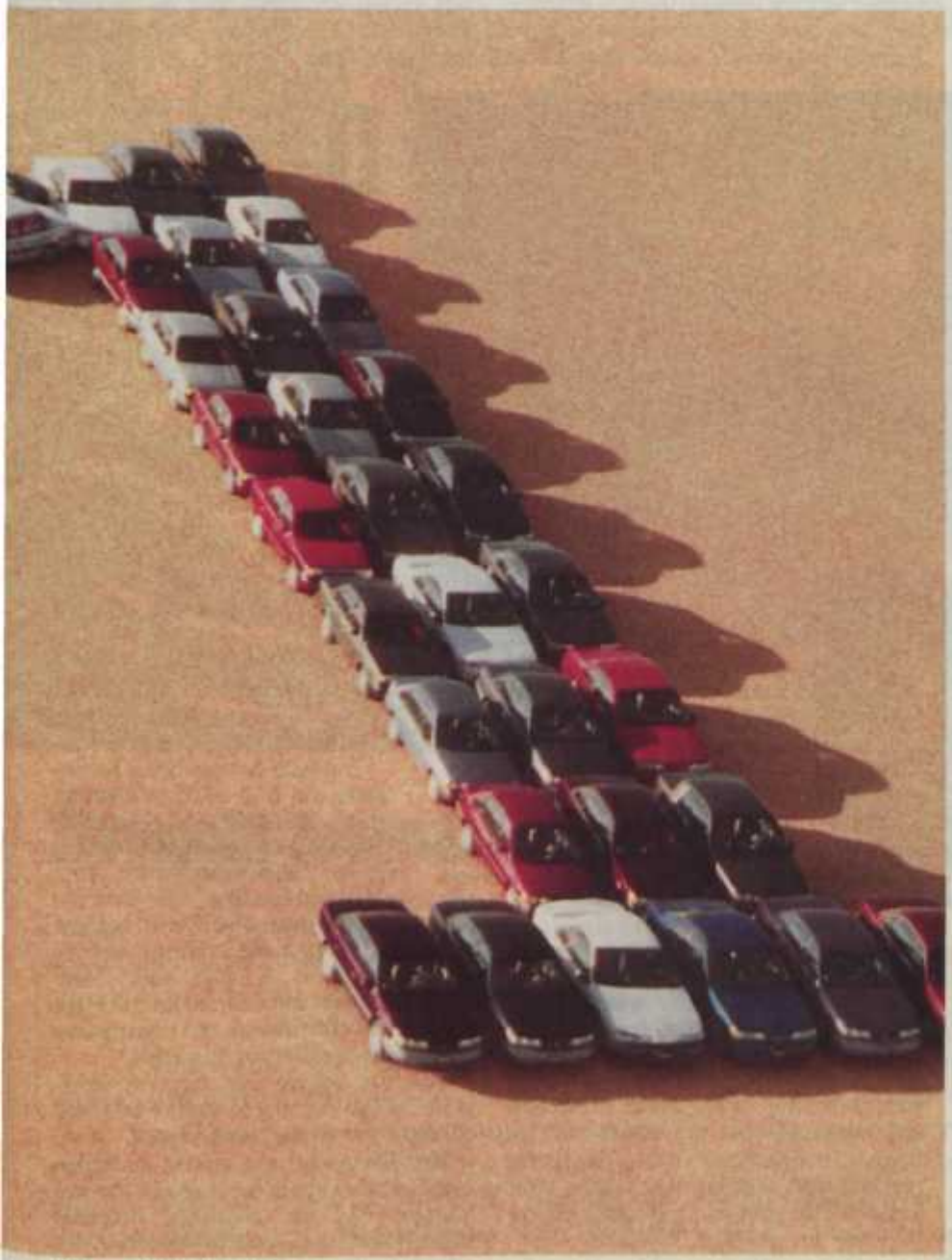
■ Design a mobile-office plan. Thanks to notebook computers, portable modems, and cellular phones, a business can operate from almost anywhere.

■ Form a disaster consortium. Lichterman suggests that small service businesses negotiate collectively with a hotel ahead of time to rent a suite of rooms for use as temporary office space should disaster strike. The suite can be furnished with computers and other equipment rented under an advance arrangement with an office-equipment leasing firm.

Says Lichterman: "The time to do the planning for the recovery is not when the ashes are still warm and there's nothing left."

Rosalind Resnick is a free-lance writer in Hollywood, Fla.

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renewal. One states how long you must pay rent if the building becomes uninhabitable. "The landlord usually tends to write in something like three months or six months. The tenant's got to make sure it's more like three or four weeks," Pizzuto says.

The other provision deals with access to your business. If there's a fire on the floor below you but your place of business is undamaged, she says, "it's an accessibility issue, not an inhabitability issue."

Know Where To Go For Help

Draw up a list of addresses and phone numbers of such sources as the local offices of the Small Business Administration, the Federal Emergency Management Agency, local and state government agencies that can help, and local and state chambers of commerce.

Include recovery-related services, from suppliers of mobile offices to businesses that recover data from damaged computer disks or do such things as industrial cleanup or carpet restoration. Also include pertinent trade and industry associations—many have helped communities and businesses in crisis.

Keep a copy of the list at home as well as at your office.

Look For Changes To Be Made

Do an audit of procedures, physical layout, and equipment to see what should be changed. Disaster-recovery expert Steve Lewis says 15 percent to 20 percent of banks in older buildings—built in the 1950s or earlier—still have doors that, when locked, must be unlocked with a key from the inside to let anyone exit. In effect, when the banks lock up after public hours, the employees are locked in. Lewis advises leaving the key in the door or, even better, installing new doors with push bars that enable workers to exit easily without unlocking the doors.

Simple things can trip you up. Fox Manufacturing stored valuable patterns in a fireproof safe, but the patterns were burned anyhow because the safe door had been left open. Now the company has a fireproof walk-in safe, and the door is kept closed at all times. As an extra precaution, copies of the patterns are stored off-site.

At Colt Safety, losses were greater than they might have been because boxes containing merchandise were stacked from floor to ceiling. As the flood water rose, the bottom boxes began to crumble and eventually the top boxes tumbled down. The company now uses pallet racking, with shelving that begins at 36 inches off the ground. Only easily cleanable items are stored at floor level.

Anticipate Secondary Disasters

One disaster often leads to another. As soon as some of Christine Bierman's competitors heard about her problems, they began to spread the word among her customers that she was out of business. She and her sales staff had to convince customers that they could still deliver.

Business owners hit by disaster tell of struggles with insurance companies that don't want to pay on claims, vendors that demand payment, and banks that call in loans.

Kim Sovia, president and CEO of the Homestead-Florida City Chamber of Commerce since March, says business owners victimized by Andrew have been frustrated in their efforts to rebuild by conflicting governmental regulations, red tape involved in getting permits, and delays in getting insurance claims settled. But if you anticipate the possibilities, you're less likely to be blindsided by unpleasant surprises.



PHOTO: STONY O'BRIEN—JB PICTURES

Since fire ravaged *their furniture manufacturing plant in Albuquerque, N.M., three years ago, Dale and Luana Fox of Fox Manufacturing Co. have helped other business-disaster victims cope with the aftermath. They also speak to companies about preparedness.*

Disasters will keep on happening, but good planning will help you minimize their effects on you and your business. First, however, you must recognize that you aren't immune.

"Don't think for a minute that it can't happen to you," Dale Fox says. I never dreamed that I would have a fire and be wiped out the way we were." But more than many business owners, the Foxes were prepared: They had some insurance (although not enough to cover everything); they had good relationships with their banker, their vendors, and others who could help; but most of all, they had an action-oriented attitude.

After the fire, Fox adds, "we made the decisions as we went along," and a viable recovery plan evolved from that process.

Business owners beset by disaster can take heart in knowing that recovery is possible. Christine Bierman's annual sales of $3 million plunged by about $500,000 the first year after the storm sewer overflowed, but now sales are back up to $2.9 million. And it's a better business. A Total Quality Management program has been put into effect, and Bierman says that "we've really sophisticated our operation."

Dale Fox got his manufacturing operation up and running in eight weeks and recently opened his fourth store.

Kim Sovia says she settled in Homestead 20 years ago in part because she was attracted by its residents' "pioneer spirit." Now, as head of the chamber, she tries to instill a positive outlook among the business people of her devastated community, a view that might provide comfort to other victims of other disasters:

"They have a chance at a new life. Who else has an opportunity like that?" NB

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Small business has a big problem.

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LEGISLATION

Taxing The Man Behind The Tree

When state and local governments have to pay for Congress' mandates, the "hidden tax" falls partly on business.

By Michael Barrier

Before he entered the U.S. Senate in January, Dirk Kempthorne, R-Idaho, was mayor of Boise for seven years. As distant from Washington, D.C., as Boise is, Kempthorne remembers that the federal government still looked over his shoulder as he did his job.

"Every year," he says, "we had to take into consideration the [federal] mandates that might utilize funds that would otherwise go to local services." Only after Boise officials had bowed to the federal demands on the city's budget could they start dealing with the priorities of Boise's residents.

Such requirements from Washington are called "unfunded mandates"—that is, Congress tells state and local governments what to do, but it gives them no money to carry out its wishes.

Kempthorne rejects the idea that the size of the federal deficit prevents Congress from reimbursing state and local governments for carrying out its mandates: "That assumes that somehow there are different groups of taxpayers: a group of federal taxpayers, a group of state taxpayers. The taxpayers are all the same." Forcing state and local governments to pay for federally mandated programs amounts to levying a "hidden tax," he says.

Now governors and mayors are rebelling against what they see as an avalanche of federal mandates that require them to somehow come up with billions of dollars for everything from Medicaid to sewer improvements to public transportation for the disabled.

Business owners are familiar with such mandates as they apply to their own firms. "In the private sector alone," says U.S. Chamber of Commerce President Richard L. Lesher, "current estimates put the total cost of federal regulations to American taxpayers and businesses in excess of $400 billion annually—an average cost of over $4,000 per household."

State and local governments could once regard with equanimity the mandates imposed on them, because money accompanied the directives. In the 1970s, as the federal government stepped up the pace of its orders to states and cities, it provided funding through block grants and revenue sharing to carry out those orders.

But revenue sharing ended in 1986, and federal aid of other kinds has shrunk in inflation-adjusted terms. The city of Chicago, for example, says federal aid now accounts for only 14 percent of its budget, compared with 29 percent in 1980. Huge federal deficits have squashed any hope of reversing the trend.



PHOTO: EJOHN ZICH

Mayors *Ed Rendell of Philadelphia, left, Jerry Abramson of Louisville, second from right, and Richard M. Daley of Chicago, far right, joined with Executive Director Tom Cochran of the U.S. Conference of Mayors in attacking costly federal mandates.*

Congress, frustrated because it cannot find the dollars for new social programs, has in effect told states and cities to pay. According to one authoritative count, by the federal Advisory Commission on Intergovernmental Relations, Congress enacted almost as many pieces of mandate legislation in the 1980s as in the 1970s—100 or more in each decade—and the pace has not slackened in the '90s. The National Conference of State Legislatures, which closely tracks mandate legislation, says the 102nd Congress enacted 15 new mandates in 1991-92.

Tabulating the cost of these mandates has thus become of urgent concern, but accurate figures are difficult to come by because the mandates affect so many units of government. "Everybody knows they're costing a lot of money, but nobody knows how much," says Marcia A. Howard, a senior policy analyst for the intergovernmental-relations commission.

The evidence so far, though, suggests that the costs may be astonishingly large. Last year, for example, nine Ohio cities, including Cleveland, Cincinnati, Columbus, and Akron, published a joint report documenting the costs they would be forced to bear over the next 10 years under federal environmental mandates. The total, in 1992 dollars: $2.85 billion. The average cost per household: $2,136.

Environmental costs loom largest in the debate over mandates, but other federal programs have turned into revenue hogs as well. The Mackinac Center for Public Policy, a conservative policy research organization in Midland, Mich., estimated last spring that federal Medicaid mandates will consume 30 percent of the increase in Michigan's general revenue this year.

Unfunded mandates are "foreclosing local governments from being able to deal with their own priorities," says Rep. James P. Moran, D-Va. "There's no money left over." Like Sen. Kempthorne, Moran speaks from experience. Moran was mayor of Alexandria, Va., before he was elected to the House in 1990.

Congress has begun to respond to the swelling resentment against unfunded mandates; so far this year, members of



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both houses have introduced two dozen bills aimed at reining them in. Kempthorne has introduced a bill that would flatly ban new unfunded mandates. Rep. Gary Condit, D-Calif., has introduced a similar bill in the House.

Congress, of course, could pass a bill overriding a ban; that has been the fate of earlier legislation to hold down spending. When it adopts restraints on itself, Congress tends to resemble a drunk who locks away the booze but keeps the key in his pocket.

There is only one way to really lock the door, says John Berthoud, tax and fiscal policy director for the American Legislative Exchange Council: "It has to be done constitutionally if it's going to work." The council, a Washington-based public-policy organization, has proposed a limited constitutional convention to draw up an amendment barring unfunded mandates, but that idea has made slow progress in state legislatures.

Even though Congress has brushed aside other restraints, Kempthorne contends that his bill would be a surprisingly stout barrier to new unfunded mandates. "I don't intend for it to be symbolic," he says. "Once it has passed, I think it will be much more difficult for Congress to undo what it has finally done."

Some members of Congress urge a different line of attack. They support legislation of the "fiscal note" kind, requiring that every proposed mandate be accompanied by a solid cost estimate.

Under legislation introduced by Moran and Rep. William Goodling, R-Pa., for instance, when a bill comes before the full House or Senate, it would have to be accompanied by the Congressional Budget Office's estimate of its impact on the economy if that impact exceeds $50 million over three years.

Existing law already calls for a similar estimate, but the Moran-Goodling measure would provide an enforcement mechanism. Any member could quickly tie either house in parliamentary knots if a bill lacked a fiscal note. Moran puts it this way: "I'm requiring that the cost be part of the decision-making process."



PHOTO: BILL FITZPATRICK

Congress *should stop passing unfunded mandates, says Sen.—and former mayor—Dirk Kempthorne.*

The idea behind the fiscal note is to increase the likelihood that Congress will recoil from legislation that imposes too great a burden on other units of government, or, for that matter, on business. (Kempthorne, for one, is skeptical of the value of a fiscal note: "It's not going to change the system; it'll just tell you it's as bad as you thought it was.")

The Moran-Goodling bill, known as Fiscal Accountability and Intergovernmental Reform, or FAIR, requires cost estimates so all-encompassing that bureaucrats could easily be tempted to come up with essentially meaningless figures. "There will be a tendency to do that," Moran acknowledges, but he sees a powerful countervailing force: State and local governments, in particular, will want Congress to work with figures that are favorable to them, and every interest group will feel the same way. "My legislation applies to the private sector as well, so every industry that would be affected by legislation would have it incumbent upon them to come up with what the cost is going to be," Moran says.

From these frequently conflicting estimates, Moran believes, the Congressional Budget Office can reach a consensus that will give Congress a better idea of what it is doing.

Mandate reform of some kind would seem to fit with the Clinton administration's efforts to "reinvent" the federal government, the more so since President Clinton, when he was governor of Arkansas, spoke out strongly against unfunded mandates. This past June, the president told the U.S. Conference of Mayors, "We shouldn't have unfunded mandates."

The first two major pieces of legislation the president signed this year, however, were unfunded mandates: The Family and Medical Leave Act imposes new burdens on business, and the National Voter Registration Act, the "motor voter" bill providing for voter registration at state motor vehicle offices, among other sites, does the same to the states.

Even so, the momentum behind mandate reform is building. For example, FAIR has attracted more than 150 co-sponsors and has won praise from three dozen governors and almost 200 mayors. The U.S. Chamber and other organizations have expressed support for the bill's goals. (See Congressional Alert, Page 78.)

Whatever their virtues, bills like FAIR could turn out to be too mild for the current climate. In July, for instance, the Conference of Mayors formed a task force to attack unfunded mandates, and Chicago Mayor Richard M. Daley, the task force's chairman, denounced them in uncompromising terms. Unfunded mandates extract costs in the form of "higher taxes and fewer services," he said, as well as in "lost opportunities for business."

The mayors plan a National Unfunded Mandates Day in October as part of a broad effort to raise public awareness of mandates and to build support for ending them.

In another consciousness-raising exercise, the legislatures in three states—Alabama, Delaware, and South Dakota—have passed "mandate consultation acts," asking their congressional delegations to come before them every year to explain any new mandates.

Many state and local officials, swamped by federal demands on their budgets, seem to find most appealing a blunt analysis of the kind that Dirk Kempthorne offers: "Congress for too long has had an attitude that it can pass the bills and then pass the buck. But if you're going to say it, you ought to pay it." NB



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ESTATE PLANNING

Don't Neglect The Next Generation

Effective planning of your estate and succession can protect your family and your business from avoidable taxes and hardship.

By Joan Szabo

Too frequently, small-business owners avoid the difficult task of estate and succession planning. Many entrepreneurs are reluctant to give up control of a company or are unwilling to face the unpleasant task of confronting their own mortality. As a result, estate and succession planning is often postponed, causing hardship for the business and family members when the owner dies or becomes incapacitated.

"A typical problem with closely held business owners is that they want to hang on as long as possible," says Vincent D. Vaccaro, a tax partner in the New York office of the accounting firm of Coopers & Lybrand. Also, many entrepreneurs think all they have to do is draw up a will.

A carefully drafted estate plan is designed to carry out the wishes of a business owner and supply his or her heirs with enough liquidity to pay federal estate taxes upon the death of the entrepreneur or the surviving spouse. According to the U.S. Small Business Administration, statistics suggest that failure to plan could have severe repercussions for an increasing number of businesses. Almost half of family firms are expected to face the need to transfer ownership sometime this decade. Historically, 70 percent of family-owned small businesses do not survive the transition to a second generation. A major reason, according to estate-planning experts, is a failure to plan for a company's succession.

The number of taxpayers subject to estate taxes is expected to grow through the 1990s. The Internal Revenue Service forecasts an 80 percent increase from 1991 to 1999 in estate-tax forms filed by individuals. (See the chart above.)

Under federal law, a taxpayer may transfer $600,000 worth of property free of taxes during his or her lifetime or at death. A married couple may transfer $1.2 million.

Estate taxes are especially burdensome on family-business owners because the full value of the company can be included in the estate upon the death of the owner and the spouse. "If planning isn't done and there is a large taxable estate, the family business or other assets may have to be sold to pay the federal government," Vaccaro says.

An estate is made up of wealth and property, including businesses accumulated over a lifetime. Estates valued over $600,000 are subject to a graduated tax of 37 percent to 55 percent on the amount exceeding $600,000. The 55 percent rate applies to the portion of an estate's value above $3 million. In states with separate estate taxes, the combined marginal rate is 58 percent for $3 million and can be as high as 60 percent.

Assets can be transferred free of federal estate taxes from one spouse to the other. Estate taxes are due when assets transfer to heirs at the death of the second spouse, however, and such taxes must generally be paid within nine months of death. In some cases they may be paid over 15 years.

Although estate-planning techniques can help business owners reduce the federal estate-tax bite and provide the liquidity needed to pay any estate taxes due, succession planning can be even more significant, according to experts.

"There are two crucial aspects to succession planning," says Amy Braden, the managing director responsible for the business-owner financial-structuring unit of Chase Manhattan Private Bank in New York. "One is management succession," she says. "For example, who is going to be managing the business after the owner has died?"

"Ownership succession is the other aspect to consider," Braden says. It is important to determine who will become shareholders.

To address the second question, Martin Shenkman, an estate-planning attorney in New York City and Teaneck, N.J., recommends setting up a shareholders or partnership agreement. "For example," he says, "if there are three or four children, some of whom may go into the business, some who may not, the agreement will provide the details on who will manage the business, their salary, and responsibilities."

Guy Ackerman, a partner with the Chicago office of the accounting firm of Kenneth Leventhal and Co., says, "Once you have a succession plan in place, then it is possible to get into all the techniques that will help the owner carry out the various objectives."

Here are some of the strategies that estate-planning experts recommend:

Unified Tax Credits

Be sure to make the most efficient use of the unified tax credit, which is $600,000 for each individual or $1.2 million for a married couple. If all assets are held in one spouse's name only or in a joint title, the $600,000 credit could be wasted be-

The Estate Tax's Widening Net

Federal tax laws permit everyone to transfer up to $600,000 worth of property free of taxes during life or at death. The value of estates above that amount is subject to the federal estate tax, which can be as high as 55 percent. The figures below show the expected dramatic growth through the 1990s in filings of returns for estates that exceed $600,000.



Totals are actual for 1991, estimated for 1992, projected for subsequent years.

SOURCE: INTERNAL REVENUE SERVICE

cause under the law joint assets pass directly to a surviving spouse.

To take advantage of the credit in both the owner's and the spouse's estates, the title in which the assets are owned may have to be transferred so that each spouse owns about $600,000 in his or her name.

A Qualified Terminal Interest Property trust, known as a QTIP trust, may also be established to provide the surviving spouse with access to all of the income and needed principal placed in the trust.

With such a trust, the property passes free of federal estate tax at the first death, as long as two requirements are met. The requirements are, first, that the trust or other property provides the survivor with a qualifying income interest for life and, second, that the appropriate box on the estate-tax return is checked off by the executor.

Because the QTIP trust qualifies for an unlimited marital deduction, there would be no federal estate tax due on the assets placed in the trust.

Gift Giving

There are a number of ways to give assets to heirs, thus removing the assets from an estate. A taxpayer can give up to $10,000 a year to each child ($20,000 if both spouses participate in the gift) free of tax.

In a number of circumstances, it makes sense to use the unified credit earlier in life rather than later, Braden says. For a business owner, its is wise to start an annual gift-giving program in which assets that have the highest appreciation potential—such as company stock—are taken out of an estate. "When such a program is started early, any appreciation in terms of an increase in the value of the stock given to your beneficiaries is going to them without the business owner incurring any gift tax," she says.

There are other estate-planning benefits to giving company stock to family members, Shenkman says. "When a minority interest in a business or real-estate assets are given to children or trusts for children or their heirs, a minority discount of 15 percent or more can frequently be justified against the value of the assets." A minority discount helps reduce the taxable value of that gift.

In addition, a recent IRS ruling makes giving stock to family members even more attractive. The ruling officially recognizes that a controlling shareholder's minority-interest gifts of stock in a closely held business to family members should not be automatically valued as part of the control block.

For some time, the IRS took the position that no minority discount was allowed with respect to transfers of stock among family members in which control existed in the family unit at the time of the transfer.

The effect of the new ruling is to allow the owner to give company stock to a family member at a discounted rate for tax purposes. (See For Your Tax File in the August *Nation's Business*.)

Giving gifts to grandchildren can also help reduce the value of a business owner's estate. Each individual has a lifetime generation-skipping tax exemption of $1 million, which allows the taxpayer to give up to that amount to his or her grandchildren free of tax. Anything above $1 million is taxed at a flat 55 percent rate.

It is also possible for a business owner to give his or her grandchildren an unlimited amount of money to provide for education and medical expenses. These payments, however, must be made directly to either the school or the provider of medical care.



PHOTO: LJOHN ZICH

A carefully drafted succession plan can help an entrepreneur carry out his or her objectives, according to Guy Ackerman of Kenneth Leventhal and Co.

Joint and Survivor Life Insurance

This type of policy pays death benefits when the second spouse dies; the proceeds can be used by the family to pay estate taxes. The policy costs less than coverage purchased separately by either of the spouses.

Buy-Sell Agreements

This technique can provide a way to buy out a business interest after an owner has died, retired, or become disabled. Generally, the owner is protected by life insurance, with the proceeds going to the buyer to pay for the decedent's business interest.

The GRAT

To use a grantor-retained annuity trust (GRAT), a business owner can recapitalize the company and issue voting and nonvoting common stock. The owner then transfers the nonvoting stock—representing most of the corporation's value—to the GRAT and retains the voting stock, allowing the owner to maintain control over the business.

The transfer of stock does result in a taxable gift to the beneficiaries, but that gift won't equal the full value of the property transferred. Instead, the gift is reduced by the current value of the owner's retained annual annuity interest.

The GRIT

Under the grantor-retained income trust (GRIT), an individual transfers property to a trust for a certain number of years, during which time he or she is entitled to the use of the property. At the end of the trust term, all of the property in the trust is distributed to one or more designated individuals, usually family members. If an individual who has received such property dies during the trust term, the property reverts to the estate.



PHOTO: LALAN ZORDW

Who will manage the business and who will be shareholders are two key issues in succession planning, says Amy Braden of Chase Manhattan Private Bank.

Be sure your estate plan is up-to-date. In the event of a birth, death, marriage, divorce, or a significant change in your level of wealth, you should update the plan. In any case, review your estate plan every few years.

There are "no canned answers" in estate and succession planning, Shenkman says. Each situation must be evaluated on an individual basis. It is important to consult with your accountant or attorney before making a decision. In the end, it is a combination of strategies that will result in a well-drafted plan. NB

To order reprints of this article, see Page 72.

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SPECIAL REPORT

Office Computers' Gee-Wizardry

The lowest prices ever will help you stock your company with today's latest hardware as you prepare for tomorrow's technologies.

By Jon Pepper and Albert G. Holzinger

Raw numeric and graphics processing power finally seems to have become the norm for business computer users. Until recently, only those few "power users" in small and midsize businesses that used demanding software applications could justify the cost of souped-up personal computers. But PC prices have plummeted, so even relatively light users can afford PCs powered by something close to the best and fastest microprocessors, most notably the 486 and Pentium chips produced by Intel Corp.

As manager of end-user computing at Progressive Insurance, in Mayfield Village, Ohio, Kevin Caine matches people's needs with computers while keeping an eye on the firm's bottom line. In view of the demands of today's sophisticated and graphically oriented software, his company's projected growth, and today's rock-bottom computer prices, Caine says he "strongly encourages . . . no less than 486-class technology."

Intel still dominates the processor market, and the company's chips remain the choice of most business buyers. Thousands of software applications are available for Intel's 86-series processors, including a growing number that run under Microsoft Corp.'s popular but power-hungry Windows graphical user interface; therefore, buying a 486 or an even faster Pentium is a safe and wise choice.

The first-generation Pentiums, which Intel began shipping only recently, provide about double the performance of the 486 DX2 66Mhz CPU, once the top of Intel's line, and future Pentium versions will improve that performance.

For business users, the allure of the Pentium is not only awesome power when the processor is matched with compatible graphic and hard-disk subsystems within a PC but also full compatibility with earlier 86-series chips. Though limited manufacturing capacity will keep this a premium product initially, Pentium prices should decline substantially as supplies increase.

Also worth keeping an eye on are several processors that have emerged recently, most notably the PowerPC 601, developed jointly by Motorola Inc., IBM Corp., and Apple Computer Inc. Motorola says even the first-generation PowerPC delivers processing power that is superior to the Pentium. While the PowerPC can be configured to run current Macintosh software, it is still unclear whether Windows can be cajoled into running on the chip. All of today's software will have to be rewritten to exploit the full power of the PowerPC chip.

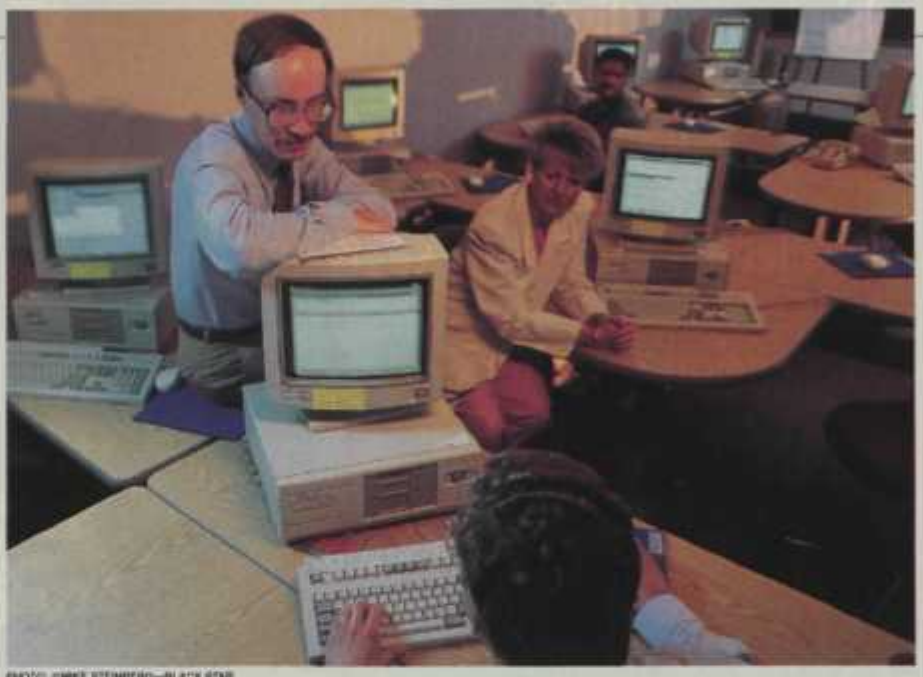


PHOTO: MIKE STEINBERG—BLACK STAR

Matching computer users' needs *while watching the firm's bottom line, manager Kevin Caine of Progressive Insurance recommends "no less than 486-class technology."*

Other new superpower Reduced Instruction Set Computer (RISC) processor alternatives include Digital Equipment Corp.'s Alpha chip, which will support software written for the infant Windows NT operating system, and new chips from MIPS Technologies Inc., such as the R4000. Caine of Progressive Insurance says evaluating the PowerPC and other processor options isn't a top priority yet, but he adds that he "will certainly consider other technology as it makes sense for us."

Our report that follows shows that, like Caine, you'll be able to keep an eye on the processing technologies of the future while still stocking your company with powerful PCs and related equipment selling at prices lower than ever.

Desktop Machines

Machines powered by chips such as the PowerPC, the Alpha, and the R4000 have not yet proven themselves in mainstream office PC environments, so the microprocessors of choice among users who are hungry for computer power and those shopping for a network server are Intel's. Some of our favorite systems using the 486 or the Pentium include the following:

AST Premium SE P/60 Server (AST Research Inc.; 1-800-876-4278): AST, which recently agreed in principle to take over Tandy Corp.'s personal-computer operations, also recently released its top-of-the-line Premium SE series of network servers. The Pentium model, powered by Intel's 64-bit, 60Mhz microprocessor, can be configured with up to 128MB RAM, 256K of secondary cache memory, and a wide variety of mass storage and display options. A base system would include 16MB RAM, 256K of cache, and eight free EISA (Extended Industry Standard Architecture) expansion slots.

Pricing varies depending on configuration, but an entry-level Pentium system sells for about $5,500. The Premium includes a three-year, on-site warranty.

AST also markets a Pentium desktop system, the Premmia P/60, powered by the 60Mhz Pentium processor. The base model Premmia includes 16MB RAM, four EISA slots, and AST's LocalMotion subsystem for support of full-screen

video. The price of the base model is $5,500 to $8,000, depending on choices such as drive capacity. The price tag includes a year of on-site service and two additional years of carry-in service.

Compaq Deskpro 5/66M (Compaq Computer Corp.; 1-800-345-1518): Compaq has long enjoyed a deserved reputation for shipping systems that are well-engineered, and the new Pentium-based Deskpro line is no exception. There are numerous configurations available, including the top-of-the-line 5/66M, which is based on the 66Mhz Pentium processor and Compaq's own TriFlex/PC architecture. The TriFlex architecture, designed to optimize Pentium performance, provides a wider-than-normal data path to subsystems such as memory and caching to ensure unsurpassed data throughput.

An entry-level 60Mhz Pentium system comes with 8MB RAM, a 240MB hard drive with DOS and Windows preloaded, a 1,280-by-1,024-picture-element (pixel) resolution QVision graphics card, and Compaq Business Audio (with microphone and software) for about $4,999. A more typical system includes 16MB RAM, a 512MB IDE hard drive, the QVision video card, and a 20-inch QVision 200 monitor; it retails for about $9,000.

Premium-priced? Absolutely. But for the money, Compaq will deliver an extremely high level of desktop performance and enough power and expansion options for any stand-alone or network-computing task. All Compaq systems include one year of on-site service.

DECpc MTE (Digital Equipment Corp.; 1-800-722-9332): DEC's MTE family of desktop systems offers great flexibility. Many configurations are available, upgrades are easy, and the standard microtower chassis fits comfortably either on or under a desk.

We evaluated one of DEC's 466d2 workstation systems, powered by the Intel 486 DX2 66Mhz microprocessor and featuring 8MB RAM, a 525MB IDE hard drive preloaded with DOS and Windows, a 3½-inch floppy drive, and a 14-inch DEC Super VGA monitor.

Our evaluation system sported a Power9000-based graphics card, which is one of the fastest video adapters we have tested, though DEC makes other local-bus solutions available for those with different graphics needs. Like all MTE systems, our test unit can be upgraded to the Pentium processor via a ZIF (zero insertion force) processor socket.

The MTE has other appealing upgrade options as well, including the ability to add one of the growing number of card-based peripherals via a Personal Computer Memory Card International Association (PCMCIA) slot. A one-year, on-site warranty is standard. All told, the DEC MTE is a compelling system. Base price for the model tested is $3,569 directly from Digital.

DELL Dimension 486/66 (Dell Computer Corp.; 1-800-531-2750): Dell has consistently tried to strike a balance between high-end desktop power and value-oriented pricing, and its Performance Series 486 line meets this test admirably. It features a wide range of 486 microprocessor options and the ability to upgrade to Pentium technology via a ZIF socket at competitive prices.

A DX2 66Mhz system with 8MB RAM, a capacious 450MB hard drive with DOS and Windows preloaded, 128K of secondary cache memory, eight ISA (Industry Standard Architecture) expansion slots, and a 17-inch flat-square monitor costs $3,499 directly from Dell. The system comes with a year of on-site service and 24-hour, toll-free technical support.

NEC Image P60 (NEC Technologies Inc.; 1-800-632-4636): The Image Series P60, featuring Intel's 64-bit Pentium microprocessor, is the flagship of the NEC PC line. Even the standard unit is robust, with 8MB RAM (expandable to 192MB), a secondary 256K of cache memory, and integrated audio. The Image series is fine-tuned to run graphics software at lightning speed, with features including 2MB of video RAM and a graphics subsystem based on a new industry standard, the Peripheral Component Interconnect (PCI) local bus. The base system will retail for about $5,000 with a 245MB hard drive and a CD ROM drive.

IBM ValuePoint MVP (IBM Corp.; 1-800-772-2227): IBM's Value-Point line, introduced last year, restored Big Blue as a strong competitor in the price-performance race for desktop systems sales. IBM has now added an extensive line of ValuePoints that are fully multimedia-ready. They include 16-bit sound cards and double-speed CD ROM drives. Each system in the line (the differences are mainly in microprocessor speed and hard-drive capacity) meets the new MPC Level 2 specification, which promises greatly increased performance and quality over the original specification.

The high-end MVP system has a 486DX2 33Mhz processor, 4MB RAM, a 340MB IDE hard drive, external speakers, and a CD ROM-based software bundle that includes DOS and Windows. It retails for $3,100.

Portable Computing

Those who often do their computing on the run will be encouraged by the latest portable PCs. Particularly exciting is the coming of feather-weight but highly functional subnotebooks, enhanced pocket organizers, and the first wave of personal digital assistants (PDAs), which combine some or all of the functions of computers, telephones, fax machines, and old-fashioned note pads. Both categories fore-



High-power desktop systems, *from the top: Compaq Deskpro 5/66M; IBM ValuePoint MVP; DELL Dimension 486/66.*

shadow portable systems as functional as desktops yet hardly bulkier than today's calculators.

Another exciting trend concerns high-end portable computers: The price of color notebooks has begun plummeting as more and more users require (or at least admire) color displays on their portable systems and manufacturers pump out new models to meet the growing demand. We'll take an in-depth look at some of the hottest subnotebook PCs in a forthcoming issue. Here is a sampling of value color notebooks, palmtops, and fledgling personal digital assistants.

Toshiba T4600/T4600C (Toshiba America Information Systems Inc.; 1-800-334-3445): Toshiba, a leader for years in portables, is offering new high-end notebook systems, the T4600s, which come with massive hard-disk storage, large displays (monochrome or color), two PCMCIA slots, and about three hours of battery life in an attractive package. The color system weighs 6.9 pounds; the monochrome version is 6.4 pounds.

All of the 4600 systems feature a power-saving, low-voltage (3.3-volt) 486SL 33Mhz microprocessor from Intel and come preloaded with DOS, Windows, and hypertext documentation.

For a list price of $3,599, the T4600/200 includes a crisp 9½-inch monochrome display, a 200MB hard drive, a floppy-disk drive, and 4MB RAM. For a list price of $5,499, the T4600C/340 includes a 340MB hard drive and a 9½-inch active matrix color SuperVGA display. The prices you will likely pay in discount retail stores or via mail order—so-called street prices—are significantly lower than the suggested list prices of the Toshiba models.

Toshiba Satellite T1900C (Toshiba America Information Systems Inc.; 1-800-334-3445): For those who use Windows heavily and others who want a color laptop but can't afford a top-of-the-line active matrix display, Toshiba's T1900C is a model well worth examining. Its 9½-inch STN LCD display achieves surprising brightness and contrast thanks to a Toshiba technology that throws light from the top and bottom of the display to the middle. The T1900C we tested featured a 3.3-volt 486SXA 20Mhz processor from Intel, a 120MB hard drive with DOS and Windows preloaded (a much faster 200MB drive is available), a floppy-disk drive, and 4MB RAM. It also sported one PCMCIA slot, a full array of ports, and a clip-on trackball mouse.

The battery on the 6.9-pound unit delivered an unremarkable two hours of use but recharged in just over an hour. The fit and finish were excellent. The keyboard was responsive and comfortable; it was marred only by odd placement of the Function, Alt, Ctrl, and Caps Lock keys. In short, while the T1900C is a little less robust than the T4600C, its list price of about $2,400 is a lot lower.

Sharp OZ-9600II Wizard PDA (Sharp Electronics Corp.; 1-800-321-8877): The newest product in Sharp's popular Wizard line is the OZ-9600II, a product positioned between yesterday's full-function electronic organizers and tomorrow's personal digital assistants (PDAs).

This new system comes with a host of useful applications. They include a calendar, a scheduler, a filer, a to-do organizer, well-featured word and outline processors, a calculator, and a world clock. Especially handy is a "scrapbook" that lets users draw notes, maps, and diagrams using electronic drawing tools.

Input is also done by a combination of screen and pen touches as well as by a conventional QWERTY keyboard that is about 75 percent the size of a conventional PC keyboard. We've frequently had difficulty touch-typing on systems of this type, but we had few problems on this new Wizard. Also, the 320-by-240-pixel LCD screen was bright and visible even in less-than-desirable lighting—not a given in this class of system.

Data can be shared among Wizards, PCs, and MACs via an infrared link, by cable, and by modem. The system is 7.1 by 4.1 by 1 inch, weighs 15 ounces, has 512K RAM, and operates for about 80 hours on four AAA alkaline batteries. Even if the batteries wear out, data stored in RAM will be maintained up to five years via a lithium battery, and data can be backed up easily on a secondary RAM card for additional security.

It will probably take a weekend or a long airplane trip of study and practice to master efficient data input and retrieval: The manual for the OZ-9600II is larger than the system. In the long run, however, this investment in time could be returned many times over. The list price of the base unit is $649 at retail and mail-order outlets.

Tandy Z-550 Zoomer PDA (Tandy Corp.; 817-390-3700): Tandy also recently introduced a rudimentary personal digital assistant (PDA), the Z-550 Zoomer, a compact (it's 1 by 4.2 by 6.8 inches) hand-held system that operates up to 100 hours on three AA alkaline batteries. The Zoomer comes with a number of applications, including a dictionary, communications software (with access to America Online), and a language translator. By using the stylus included with the Zoomer, you can draw or write directly on the screen and launch any application by tapping the on-screen icon.

The Zoomer sells for $699 at Radio Shack stores nationwide. A similar sys-







Advanced portable PCs and printers, *clockwise from top left: Sharp OZ-9600II Wizard PDA; NEC Silentwriter SuperScript 610; Hewlett-Packard DeskJet 1200C; Canon BJC-800/820; Tandy Z-550 Zoomer; Toshiba Satellite T1900C.*

tem will be offered by Casio at retail and mail-order outlets.

Printers

Two concurrent developments have shaped today's printer market. First, the ability of printers to deal with notoriously slow-printing Windows applications has improved. This doesn't necessarily mean more pages per minute, but it does mean faster arrival of the first page out, thanks to new techniques in improving overall throughput.







Second, color printers continue to improve immensely, especially in their ability to render more finely detailed color images for use in high-quality presentations.

The new generation of printers includes the following:

NEC Silentwriter SuperScript 610 (NEC Technologies Inc.; 1-800-632-4636): Few printing problems are as vexing as speeding up printing from Windows programs, and few solutions are as elegant and affordable as NEC's Silentwriter SuperScript 610. The printer is compact (14.6 by 14 by 4.7 inches), and its host-resident printing strategy allows your computer—rather than your printer—to handle print processing. NEC's SuperScript printer driver composes a page directly from the Windows graphical device interface (GDI) and sends the resulting data to the printer.

Because this process bypasses several time-consuming steps in the normal Windows printing sequence (for example, having Windows image the page and send it to the printer, and then having the printer process the page), a result is much, much faster processing. How fast depends on the speed of your PC's microprocessor.

Although the 300-dots-per-inch printer has an engine speed of six pages per minute, you'll likely end up with pages moving through it much faster than an eight- or even 10-page-per-minute printer that doesn't use the host-resident method.

The product is shipped with several TrueType fonts from NEC, has H-P LaserJet IIP emulation to ensure broad software compatibility, and produces clean, crisp copies. The SuperScript 610 will likely have a street price of less than $650.

Canon CJ-10 (Canon U.S.A.; 1-800-652-2666): Canon's CJ-10 is unique in that it can serve as a four-color printer, a color scanner, and a color copier without extra equipment. Based on Canon's superb BubbleJet (ink-jet) technology, the print engine can render 400-dots-per-inch images in 256 colors from the 128-nozzle print head.

The system is shipped with drivers for Windows as well as software that lets the system be used as a scanner. All copying functions are handled directly from the CJ-10 control panel and do not require software. The color output is beautiful, and the CJ-10 can be used for fliers, reports, transparencies, and other full-color materials. Copier functions include hue adjustments and selective enlargement. One possible drawback: The CJ-10 requires special paper; it won't produce good results on ordinary bond paper. With its quality and versatility, however, the CJ-10 is still a bargain at $6,995 list.

Canon BJC-800/820 (Canon U.S.A.; 1-800-652-2666): If you want a color printer and nothing more, take a look at Canon's BJC-800 for PCs or BJC-820 for Macs. List-priced at $1,999 and $2,199, respectively, these small-footprint, 360-dots-per-inch, BubbleJet models perform admirably on plain and coated paper up to 11 by 17 inches. Ink comes from four individual cartridges—black, magenta, cyan, and yellow—to eliminate waste and, therefore, lower the cost per output page. The BJC-800 and BJC-820 also employ host-resident strategies for printing, resulting in fast output on most of today's PCs.

Both models are shipped with an extensive selection of drivers to ensure that the colors you see on the screen closely match output colors, and both can be easily connected to a local area network via adapters made by third-party vendors.

Hewlett-Packard DeskJet 1200C (Hewlett-Packard Co.; 1-800-752-0900): Hewlett-Packard is working aggressively to increase its share of the burgeoning color-printer market, and products such as the DeskJet 1200C show that the fruits of this labor are well worth investigating. The DeskJet 1200C, the company's next generation of color printers after the successful PaintJet XL300, is smaller, lighter, and, at $1,699 list, about half the price of the XL300, and it delivers impressive output and capabilities.

Based on a dual-cartridge ink-jet print head—one black cartridge, and one combination cyan, yellow, and magenta—the 1200C churns out 300-dots-per-inch resolution at anywhere from about a half page to seven pages per minute. Straight text files print at the top speed, while complex color graphics files will drop output speed toward the bottom of the range.

The 1200C delivers excellent results on ordinary copy paper, and the appearance of output on coated paper is stunning. The printer is shipped with drivers for Windows. As an all-purpose business printer that can handle correspondence, color charts, and anything in between, the 1200C is a worthy contender. A PostScript version, the DeskJet 1200C/PS, has a list price of $2,399.

QMS ColorScript Laser 1000 (QMS Inc.; 1-800-631-2692): QMS is the first company to produce an "affordable" color laser printer, with its ColorScript Laser

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1000. List-priced at just under $10,000, the system can turn out 300-dots-per-inch, full-color printing from its laser engine. The company uses four toners—cyan, yellow, magenta, and black—that process images in a single pass, eliminating one problem that commonly plagues developers: If the system has to make one pass for each of the four colors, registration problems can mar image quality.

The ColorScript Laser 1000, which can print on plain paper in both letter and legal sizes, comes with QMS's own PostScript emulation as well as H-P's PCL 5 and GL/2 emulations. Drivers for Windows are included. Print speed is rated at eight pages per minute for monochrome images and two pages per minute for four-color images.

The ColorScript Laser 1000 is a network-ready unit that can be hooked up to any PC or Mac.

Odds And Ends

No office is complete without some measure of peripheral devices, the finishing touches that expand the utility of PCs in an increasing number of ingenious ways. While the peripheral market covers so much ground that trends are somewhat difficult to spot, in general we've found that peripheral manufacturers are now working to make their products easier to use and more closely matched to the power and capabilities of today's desktop PC systems. Products worth a look include the following:

Canon Faxphone B70 (Canon U.S.A.; 1-800-652-2666): Canon has put its BubbleJet printing technology to good use in its Faxphone models B70 and B75, which have as much in common with ink-jet printers as they have with conventional fax machines. Both models deliver plain-paper, cut-sheet fax output at 360-dots-per-inch resolution, perform admirably as low-volume copiers, and can process images with 64 shades of gray for top-notch reproduction of photographs and other complex graphic images.

We evaluated the Model B70, which impressed us with its ability to provide a slew of convenience features in a relatively small space. The system includes a full-featured telephone, speed dialing, and a hookup for an answering machine. List price is $1,595.

The Model B75 has all of the features of the B70, but it also adds features like memory transmission (up to 20 pages can be received and stored in memory), broadcast and error-correction modes, and the ability to transmit a page in as little as nine seconds (compared with 20 for the B70). List price is $1,695.

Motorola Lifestyle Plus Pager (Motorola America Paging Products Division; 407-364-2000): For better or worse, the pager is rapidly becoming as ubiquitous as the fax machine—and is also becoming a fashion statement. Motorola's Lifestyle Plus line is available in five colors—translucent gray, clear, translucent purple, translucent teal, and white—for those who want to look good when being summoned to duty.

The units also contain a high level of technology, including 16 message slots, a 12-digit numeric display, message time stamping, and a silent vibration mode. They also feature a time-of-day display and the ability to lock up to four messages on the backlit display. List price is $199, plus the monthly cost of paging service.

Optima 144+FAX144 Pocket Edition Fax/Modem (Hayes Microcomputer Products; 1-800-964-2937): The portable Hayes Optima144+FAX144 combines light weight and a very compact size with the comprehensive data-fax features you would expect in a larger, more expensive stand-alone modem. The modem can handle data and fax transmission at effective speeds of up to 57.6kbps and 14.4kbps, respectively. As you would expect, the modem uses the Hayes Standard AT Command Set, the most popular modem protocol.

Also built in are fax send and receive, the ability to communicate with mainframe computers, and AC and battery power options. The $599 list price includes Hayes' Smartcom for Windows and Smartcom FAX software for DOS and Windows.

Panasonic KX-T9900 (Panasonic Communications & Systems Co.; 1-800-742-8086): The Panasonic KX-T9900 wristband cordless telephone is reminiscent of the vintage Dick Tracy communicator. But the Panasonic is a very real product that packs high-quality, 900Mhz cordless-phone technology into a wristwatch-size unit.

The tiny wristset includes a full-featured telephone with 30 channels to help ensure clean reception, storage for up to 10 numbers of 16 digits each, and one-touch redialing. The unit has a tiny keypad for dialing, a speaker, and a built-in microphone sensitive enough to allow you to speak from a normal posture. An integrated LCD displays number dialed, call duration, and battery strength.

You can use up to four wristsets from a single base unit, making it easier to communicate between the portable and the base unit and among the four wristsets. This can be especially useful in factories. As always, new technology is costly: The suggested retail price of one wristset and one base is $999.





Two sporty peripherals: *The Hayes Optima 144+FAX144 Pocket Edition Fax/Modem, top photo, and the Panasonic KX-T9900 wristband cordless phone.*

ProPhone Version 2.0 (New Media Publishing; 1-800-992-3766): If you have a CD ROM drive on your system, consider buying ProPhone, the national telephone directory on CD ROM. Actually, the product is seven CD ROMs that contain virtually all of the residential and business numbers in the United States. You can search by the name of a business or residence, download or print selected listings, and dial directly from the computer. At $449 plus shipping directly from the publisher, this can be a cost-effective way to increase your marketing prowess, save time and money, and avoid frustration. The listings are updated semiannually at a special upgrade price.

Tamarack 12000C (Tamarack Technologies Inc.; 1-800-643-0666): Scanners provide a relatively simple way to integrate photographs and other images into your documents. A color scanner like the Tamarack 12000C delivers uncompromising resolution and convenience because of its flatbed design and 24-bit, 1,200-dots-per-inch capability.

With a legal-size scanning bed, the 12000C includes Aldus PhotoStyler software (Windows version) and supports hardware gamma correction, 200 levels of brightness and contrast, and one-eighth to eight-power zoom. Tamarack also offers an optional slide kit ($795) for scanning transparencies. The 12000C lists for $1,995. NB

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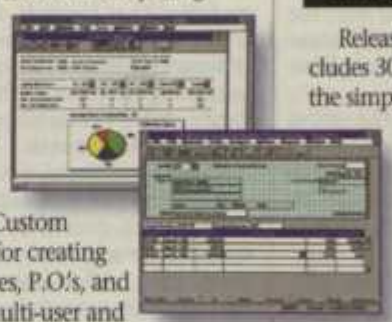
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ENTERPRISE

Blue Chip Performances

Small firms should apply now for Blue Chip recognition for their resourcefulness in overcoming obstacles.

By Sharon Nelton

When they applied last year for a Blue Chip Enterprise award, Fred C. and Richard L. Tedesco, who manufacture springs in Bristol, Conn., wrote that "preparing this application . . . has been another valuable self-appraisal, which we've learned every management needs to undertake regularly."

The Tedescos' firm, Pa-Ted Spring Co. Inc., was named a Blue Chip honoree for Connecticut in the 1993 awards announced earlier this year. The Tedescos recognized—as many entrepreneurs have—that the Blue Chip application process helps a company evaluate its effectiveness in overcoming obstacles.

The Blue Chip Enterprise Initiative has now begun its fourth annual awards program, and small businesses throughout the country are being urged to apply as soon as possible; the deadline is Nov. 19. The Blue Chip program honors small businesses that have overcome challenges and emerged stronger. Or, as Peter J. Fink, president of Certified Transmission, a transmission and clutch service firm in Omaha, Neb., suggested on his application, it recognizes " 'Blue Chip' performance."

The awards are sponsored by Connecticut Mutual Life Insurance Co., the U.S. Chamber of Commerce, and *Nation's Business*. About 200 small companies from throughout the country will be designated Blue Chip Enterprises for 1994, and the four most exemplary companies will be honored as "America's Blue Chip Enterprises."

In addition, about 50 of the most outstanding Blue Chip companies will be featured on "First Business," the small-business morning newscast produced by the U.S. Chamber and Connecticut Mutual on the USA Network.

"The Blue Chip Enterprise Initiative was created to support and educate small-business owners by recognizing achievement and establishing an information-sharing network," says Katy Klarnet, the program's director. "Today, strengthening small business has become a national priority. And the need for proven, pragmatic ideas and strategies is more critical than ever."

The competition is open to any for-profit company that has been in continuous operation for at least three years and employs five to 300 people. All businesses selected will be profiled in the fourth edition of a collection of Blue Chip Enterprise case histories; top designees will also be featured in a video library. (See the box on Page 45.)

All designees are honored at regional ceremonies, and many receive extensive publicity in their local communities.

Small companies can obtain applications and complete information on the awards from many state and local chambers of commerce or from Connecticut Mutual associates nationwide. Or call 1-800-FOR-BCEI (1-800-367-2234).

This year's designees represented a wide array of U.S. enterprises, from a $275,000-a-year lawn service in Bradenton, Fla., to a $10 million lumber retailer in Nampa, Idaho, to a $35 million Wall Street insurance company owned by an African-American woman.

The designees have overcome adversities of many kinds, including fire, the death of a partner, and bankruptcy. In their applications, many entrepreneurs told how they have survived the recession, and many spoke of the need to be upbeat in their attitude toward what they do.

"Hard work, constant innovation, integrity, and fair dealing will work," said Stephen H. Connolly of Steve Connolly Seafood Co. Inc., in Boston.

"Realizing that the challenges faced by small-business owners never end, [we] are confident that there is a solution to each problem if approached with optimism and endurance," wrote John R. and Patricia A. Larsen, owners of Port of Subs Inc., a Reno, Nev., franchisor of submarine-sandwich restaurants.

The 1993 national designees are:

■ **Shelby Die Casting,** of Shelby, Miss., which overcame unprofitability, a dispirited work force, and a 35 percent scrap rate. After going through three general managers, its majority owner, G. Rives Neblett, closed his law practice to run the company. Better communication between managers and employees, coupled with the institution of a Total Quality Management program, helped turn the company around.

■ **Photronics,** a high-tech manufacturing company in Brookfield, Conn. While other business owners shunned government programs to aid small businesses, Photronics' chief executive, Constantine "Deno" Macricostas, took advantage of them and built his company to $40 million in annual sales. He took the company public in 1987, and in 1991 he launched a Total Quality Management program to improve its existing quality efforts.



PHOTO: ©BART BARTHOLOMEW

■ **CVR/Montana Furniture Galleries,** of Bozeman, Mont., a manufacturer and retailer of oak furniture. Just before Christmas 1989, fire destroyed the company's manufacturing plant. Despite their youth, the owners, Jim and Stacee Cover, then 26 and 25, respectively, were back in production again in a new plant just four months later.

■ **ICU Medical,** an Irvine, Calif., firm that manufactures disposable protective medical products. Its founder, George Lopez, a physician, turned management of the company over to professional managers, thinking they could do a better job than a doctor. He was wrong, but when he took over management again, the company had no cash and was deep in debt. It was forced into bankruptcy. Lopez brought it back by cutting costs drastically and improving product quality.

Forty percent of this year's nearly 200 honorees reported they had serious problems with new or increased competition, according to an analysis of their case



PHOTO: T. MICHAEL KEZA

National Blue Chip honorees *for 1993, clockwise from far left: George Lopez reversed the financial slide of his medical-products manufacturing firm; G. Rives Neblett used quality-management programs to turn around his die-casting company; Jim and Stacee Cover resumed making and selling oak furniture four months after a devastating plant fire; Constantine "Deno" Macricostas used government programs to build a high-tech manufacturing business.*



PHOTO: ©MELANIE EVE BARCAS



PHOTO: DOUG LOREMAN

Blue Chip Book Now Available

You can learn how 1993's nearly 200 Blue Chip Enterprise Award winners confronted and solved a variety of major business problems from a new book, *Real-World Lessons for America's Small Businesses.* It is the third annual collection of case histories of Blue Chip designees published by the Blue Chip Enterprise Initiative.

The first volume of a companion three-volume video library is also available. The set, which will be completed early next year, will include profiles of more than 50 of the most outstanding 1993 honorees. The profiles come from "First Business," the small-business morning newscast produced by the U.S. Chamber of Commerce and Connecticut Mutual Life Insurance Co. on the USA Network.

The book and videotape series represent part of the initiative's commitment to showing how exemplary small businesses have overcome challenges through resourcefulness, resilience, and determination. The case histories are intended to help small businesses compete more effectively.

To order the book ($8.95) or the videotapes ($20 a volume), or to obtain further information on the Blue Chip Enterprise Initiative, call 1-800-FOR-BCEI (1-800-367-2234).



PHOTO: ALEX ANDERSON

histories. Thirty percent cited lack of capital, and 20 percent indicated cash-flow problems. Twenty percent also said the recession was a key challenge.

To deal with these pressures and strengthen or save their companies, 60 percent of the business owners concentrated on employee management. Fifty-seven percent adopted marketing initiatives.

For more details on the national designees, see "Adversity Brings Opportunity," in the April 1993 issue of *Nation's Business.*

As Fred and Richard Tedesco learned, applying for the Blue Chip award can be an education in itself. The application requires business owners to describe in detail the major challenges that threatened their businesses, their solutions to those challenges, and the results.

In their carefully drafted application (15 thoughtful pages, plus attachments), the Tedescos said that the application process "helped us realize how far we've come during the past five years, but at the same time made us aware of the work still to be done." NB

MANAGING

Your Secretary's Pivotal Influence

A secretary's customer-service skills can determine whether your firm gains customers—or loses them.

By Steven Austin Stovall

The caller has dialed your company to place a $2,000 order. After six rings, the secretary picks up and answers with a string of words so crammed together that all the caller can make out is "... may I help you?"

To ensure he has the right company, the caller asks, "Is this Smith and Associates?"

"Yes," the secretary replies curtly.

"Well, I would like to place an ..." The secretary interrupts with "Please, hold." The caller patiently waits for three minutes and finally hangs up. It just isn't worth the trouble.

Is the secretary to blame for losing a potential customer? No. Typically, the secretary has clerical skills. He or she can type more than 60 words per minute, has mastered various computer programs, and understands all of those buttons on your company phones.

An important secretarial requirement that is often overlooked, however, is a commitment to customer service.

Because your secretary is often the first contact outsiders have with your business, it is crucial that you make customer service a priority in recruiting and training a secretary. Note particularly the way your secretary handles customer phone calls and office visitors.

If you feel your secretary needs improvement in these areas, you might try the following suggestions.



ILLUSTRATIONS: BILL COULTER

Dealing With Telephone Calls

The telephone is a weak yet crucial link in the customer-service chain. Unlike talking with customers in person, talking with them by phone doesn't reveal facial expressions, gestures, posture, or other nonverbal cues. The only way to determine feelings by phone is through the caller's tone of voice and the content of what is said.

First impressions are critical. Every time your company's phone rings, the secretary may gain a customer, keep a current one, lose one, or lose a prospect.

The phone should be answered after no more than three rings.

The greeting should be clear and enunciated perfectly. Because secretaries have so many calls coming in, it becomes easy to speak in a tone of voice that may sound lazy or rushed, with words running together. The ideal greeting includes a salutation, company name, and a question. For example: "Good afternoon, Smith and Associates. How may I help you?"

If your secretary also takes or confirms customer orders over the phone, ensure that he or she is very knowledgeable about company products and services. Don't expect a secretary to memorize all your prices, sizes, and policies. Make written summaries of this information available for quick reference.

At National Retail Services Group, which markets high-fashion jewelry nationwide from its Garland, Texas, headquarters, the secretary has authority to handle problems from customers and the firm's 450 independent sales representatives, says John E. Griffith III, company president and CEO. "If she didn't have the authority to do so, her job would become more difficult, and our job would become even more cumbersome," Griffith says, because she would be seeking supervisory approval for every request, "and the caller would be on hold forever!"

When the caller must talk with you, your secretary must handle this request appropriately. Customers don't want to hear that they will be "transferred"; that word can have a negative ring. Instead, your secretary should say, "I will connect you with ..." or "Let me put you through to ..." If the caller must be placed on hold, a friendlier statement than "Hold, please" is "May I place you on hold?"

In addition, no one should be on hold for longer than a minute without an apology or some indication that the secretary has not forgotten the caller.

When concluding a conversation, it's important again to help the caller gain a positive impression of the company. The secretary should thank customers for calling and ask them to call again.

Also, a secretary should not hang up until the caller has done so—to give the caller a chance to ask a question that he or she might recall at the last second.

Welcoming Office Visitors

Your secretary plays a vital role in enhancing customers' perceptions of your firm. Your company's image is a reflection

Steven Austin Stovall is president of the Stovall Group, a consulting firm in Garland, Texas.

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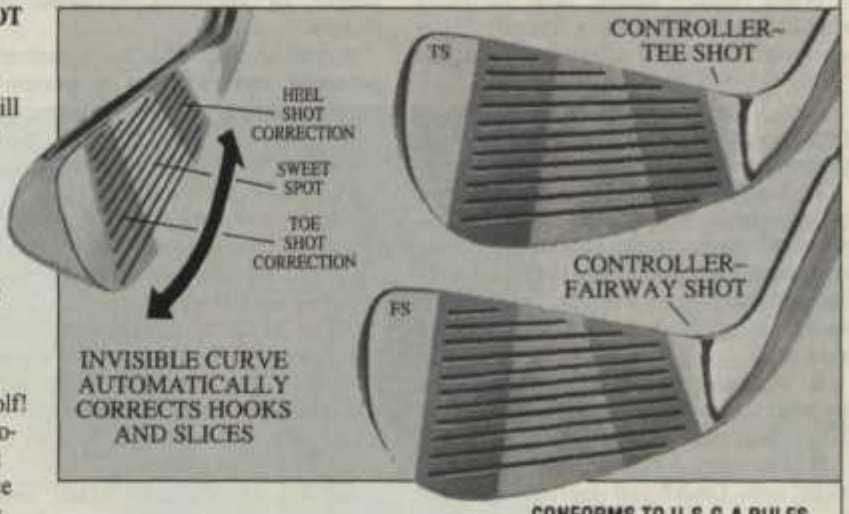
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THE CONTROLLER DRIVING IRONS HIT LONGER AND STRAIGHTER THAN ANY OTHER CLUBS IN GOLF.
IF THEY DON'T CUT 5-10 STROKES, YOU OWE US NOTHING! ACT NOW!

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of your secretary's attitude. When visitors arrive at your office—whether they are business people with scheduled appointments, or acquaintances dropping in, or salespersons making cold calls—each should receive a cordial, professional greeting.

When visitors arrive, your secretary should greet each with a friendly "How are you?" or "Good afternoon," not just "Hello."

Next, the secretary should ask the person's name, company affiliation, and purpose.

Visitors whom you may not want to see (salespersons with giant sample cases, perhaps) pose a tricky situation for your secretary. They need to be handled firmly but not harshly. A secretary who finds such a task difficult might try approaches such as:

- "My name is Jane. I'm Ms. Apple's secretary. She's currently in a meeting. May I help you?"
- "I'm sorry. I can't disturb Mr. Smith right now. Could you leave a business card or some information I can pass along to him?"
- "I must apologize. Mr. Johnson meets with many of his customers on a daily basis, but he can only see visitors by appointment. If you would leave some information or send a letter describing your service, I'm sure Mr. Johnson will take a look at it."

What's important is that your secretary make the visitor feel welcome and comfortable. He or she should avoid using phrases such as "She doesn't see salespeople," or "We're not interested," or "No thanks."

A visitor may also be a customer, a potential customer, or a person who knows some of your customers. Therefore, every effort should be made to ensure each visitor gains positive feelings toward your company.

Those who do have appointments should receive your secretary's full attention, and all efforts should be made to ensure they feel welcome.

When offering a visitor a beverage, avoid asking "Would you like some coffee?" It's better to ask "Would you like something to drink?" Many people do not drink coffee but would gladly accept a soft drink or a glass of water.

Griffith of National Retail Services Group says his secretary maintains a cordial atmosphere with visitors. "She smiles, greets them, asks how she can help, offers them a place to sit and something to drink. It doesn't matter if it's a salesman on a cold call or a longtime customer. And she does all this in such a way that the visitor feels welcome."

Approach With Caution—And Respect

When addressing such issues with your secretary, avoid upsetting or embarrassing the person. Your approach should be very cautious. Remember that treating your secretary with respect is the first step.

"At NRS Group, the secretary is treated just like a general manager," says Griffith. "She is the liaison between our company and all our customers."

Explain to your secretary that both of you should be taking steps to improve service. Note that the job requires more than clerical work; it's a customer-service job, too. This means his or her role requires efforts to make certain that customers—and potential customers—get excellent service before, during, and after the sale.

Use a "we" approach rather than a "you" approach in this discussion. Emphasize how the business will improve with enhanced customer service. After all, both of your salaries are paid for by one person: the customer. NB

To order reprints of this article, see Page 72.

How Does Your Secretary Measure Up?

Does he or she Always(4) Sometimes(3) Never(2) Don't Know(1) . . .

Answer the telephone in three rings or fewer?
4 3 2 1

Answer the telephone with a cordial salutation, company name, and an offer of help? (For example: "Good afternoon. ABC Company. How may I help you?")
4 3 2 1

Avoid placing callers on hold for more than one minute?
4 3 2 1

State the caller will be "connected" or "put through" rather than "transferred"?
4 3 2 1

Speak clearly on the telephone?
4 3 2 1

Thank customers for phoning?
4 3 2 1

Ask customers to phone again?
4 3 2 1

Allow callers to hang up the phone first?
4 3 2 1

Exhibit a helping attitude toward customers?
4 3 2 1

Scoring: Add all the numbers you circled and compare your total with these scores:

51-60	WOW!!! Very customer-service-oriented.
41-50	Pretty good. With a little training...
31-40	Mediocre. Needs your attention and guidance.
19-30	Time for a heart-to-heart talk.
15-18	And this person hasn't been replaced?

SOURCE: THE STOVALL GROUP

Give customers full attention?
4 3 2 1

Exhibit a helping attitude toward "drop-ins"?
4 3 2 1

Offer visitors a chair or a place to sit?
4 3 2 1

Understand the importance of customer service?
4 3 2 1

Display a commitment to customer service?
4 3 2 1

Know that the job is a customer-service position and not just clerical?
4 3 2 1



INTERNATIONAL TRADE

How To Avoid Bear Traps

Be patient, cautious, and flexible when you set out to tap the enormous potential of Russia's changing economy.

By Armin A. Brott

Terry Allen considers himself a chronic entrepreneur. In March 1992, he went on a humanitarian mission organized by the city of Burlington, Vt., to deliver medicine and other goods to Yaroslavl, a town about four hours' drive from Moscow. Today, Allen has interests in several enterprises in and around Yaroslavl, including a pizza restaurant, a computer software company, a wholesale food operation, a retail store, and an employment agency.

"Russia is an entrepreneur's paradise," says Allen, whose ventures there have been profitable from their first months of operation. (It took six years for his information-services ventures in Burlington to make money.)

Enticed by the prospect of more than 148 million new customers, scores of American businesses are flocking to Russia. While the possibilities and the profits appear to be limitless, trading with the Russians can still be hazardous and potentially costly.

Here are some concerns that could arise if you set out to do business in Russia, along with some possible solutions to common problems:

Making Contact

The telex, fax, and even the telephone are relatively new technologies in Russia. The country's outdated telecommunications systems often cannot handle the traffic today's business activities demand. This means that getting through to a potential partner can take days or even weeks.

The Russians are not yet used to the fast-paced, over-the-phone business practices of Western countries. In some instances, they may even distrust telecommunications technology. So it's quite possible that even if your fax or phone call has been received, no one will reply.

"If you're serious about doing business, you'll need to appear personally," says Michael Claudon, president of the Geonomics Institute, a nonprofit research enterprise in Middlebury, Vt., that specializes in U.S.-Russian commerce.

When you're planning your trip, make sure your meetings are set up before you leave. Hotels in Moscow and St. Petersburg (formerly Leningrad) are filled with business people who come to town hoping to find somebody—anybody—to do business with. Your next question might be, "If I can't get through by phone or fax, how can I schedule an appointment?" The answer is not as complicated as you might think.

One of the best ways to travel to Russia is as a member of a trade delegation sponsored by a local chamber of commerce or arranged under a sister-city program. Terry Allen, taking advantage of sister-city ties between Burlington, Vt., and Yaroslavl, acquired an 11,000-square-foot food-making operation in Yaroslavl for less than $10,000.

For more information on American organizations that facilitate trade relationships between the United States and Russia, see the box on Page 50.

Who's In Charge?

Communism in Russia is dead, but the bureaucracy is very much alive, particularly in Moscow. And because of Russia's political and economic volatility, it's often difficult to be sure you're getting accurate information.

"The key to success is to stay as far away from Moscow as possible," says Mats Engstrom, owner of California Sunshine, one of the world's largest private producers of caviar.

Engstrom's company had been fishing for sturgeon for more than eight years on the Chinese side of the Amur River, which separates Manchuria and Siberia. Thinking that Russian sturgeon must be as good as Chinese, Engstrom wrote to the Ministry of Fisheries in Moscow, suggesting a joint venture. Six months later, he received a letter of reply from the ministry saying that because there were no fish in the Amur River, the ministry was not interested.

After several attempts at braving Moscow's bureaucracy, Engstrom finally traveled to Siberia with a trade mission and set up the joint venture with the help of local officials.

The old Soviet system is slowly being dismantled, though not without problems. Many former government-run enterprises are being privatized, but only informally, so their legal status can be unclear. It is not uncommon for someone to lease office space in Moscow, only to find that a homeless family has leased the space from another of the building's "owners."

American companies should do everything they can to check up on their Russian partners, says Brian Zimbler, a partner with the San Francisco law firm of Graham & James. "One of our clients entered into a joint venture and found out too late that [the client's] partners were really the Russian mafia."

Zimbler acknowledges that without a Russian equivalent of Dun and Bradstreet, detailed credit checks and other



PHOTO: ©TOBY TALBOT

"An entrepreneur's paradise" *is how Vermont-based Terry Allen describes Russia, where he has several ventures.*

Armin A. Brott is a writer and trade consultant in Berkeley, Calif.

investigations can be difficult. The organizations listed in the box below have access to extensive, reliable contacts and can help evaluate potential partners.

Quality Control

Maintaining quality standards is one of the most difficult tasks faced by foreign businesses that either purchase products in Russia or have manufacturing operations there. For example, Mats Engstrom found that Russian water-filtration devices, canning materials, and salt were not up to world standards. To ensure the consistency of his caviar, he imported the materials.

Terry Allen searched for months for a locally made cheese that would melt but not harden in his pizza ovens. "One day, completely out of the blue, an acceptable product appeared in the local stores," he says. He used it for a while, but a few months later, the cheese mysteriously disappeared. Today, Allen buys his cheese abroad.

Getting The Profits Out

Once you've found reliable partners, negotiated your deal, and started production, the biggest potential problem is bringing the profits home. Russian rubles, after all, are generally worthless outside the country.

Because most Russian enterprises don't have access to much hard currency, you may limit your chances of success if you insist on being paid this way.

Nonetheless, there are ways to repatriate your profits. Michael Lipovich, president of L&C Metal Enterprises, a trading company in Los Altos, Calif., leases warehouse space in Moscow and St. Petersburg and imports and distributes consumer goods—for rubles. The company then uses its profits to build fishing trawlers and oil tankers in Ukraine, taking advantage of inexpensive local labor and materials. The ships are then sold in the international market at a significant profit.



PHOTO: GLINDA SUE SCOTT

Avoid Moscow *and you can succeed in Russia, says caviar producer Mats Engstrom of California.*

The ICD Group in New York sells benzene to a Russian manufacturer, which in turn produces high-density polyethylene. Ignacio Uriarte, a senior trader at ICD, says, "Instead of rubles, we get paid for our benzene in polyethylene, which we export and sell all over the world."

Ethical Dilemmas

Troubling ethical questions can arise in U.S.-Russian trade. One American company spent weeks negotiating the sale of several hundred fax machines to a Russian government enterprise for $300 per unit. The U.S. firm was then asked by the Russian director to bill the enterprise $350 per unit. The government enterprise would pay the invoice in full, of course, and the U.S. company would be expected to deposit the extra $50 per unit into the director's personal bank account in San Francisco. The Americans refused to go along, and the deal collapsed.

Solicitations of bribes and kickbacks are probably no more common in Russia than in any other developing country, but a simple rule is: Don't even think about it, if for no other reason than it's against the law—in both Russia and the United States.

There's no question that there can be pitfalls in doing business in Russia, but the opportunities—particularly for small and medium-sized companies—are exceptional. Major international corporations may get involved in large-scale Russian projects and have the capital and manpower to withstand getting bogged down in the government's bureaucracy and regulations, but small companies have their own advantages. It can be easier for them to establish contacts directly with Russian partners or with regional government agencies, bypassing a lot of red tape.

If you're serious about doing business in Russia, keep these points in mind:

Be patient. Trying to put together a one-shot deal may be more trouble than it's worth. Instead, try to establish long-term relationships. But plan on spending six months to a year putting things together.

Be flexible. The Russians are in the midst of an economic and cultural revolution, and lessons in capitalism are equal parts economics and culture. Michael Claudon finds that American companies often overestimate their Russian partners' business literacy. This can lead to frustration and misunderstanding.

Be cautious. Although there has been much progress in recent months in providing foreign business people with legal safeguards, Russia generally does not offer the protections that many American companies take for granted. At present, should your deal go awry, you would not have recourse to any equivalent of the Uniform Commercial Code, which governs business law. NB

Getting Started

Here are some sources of information on ways to establish business ties with former Soviet republics and, more important, to check on the reputation and creditworthiness of potential partners:

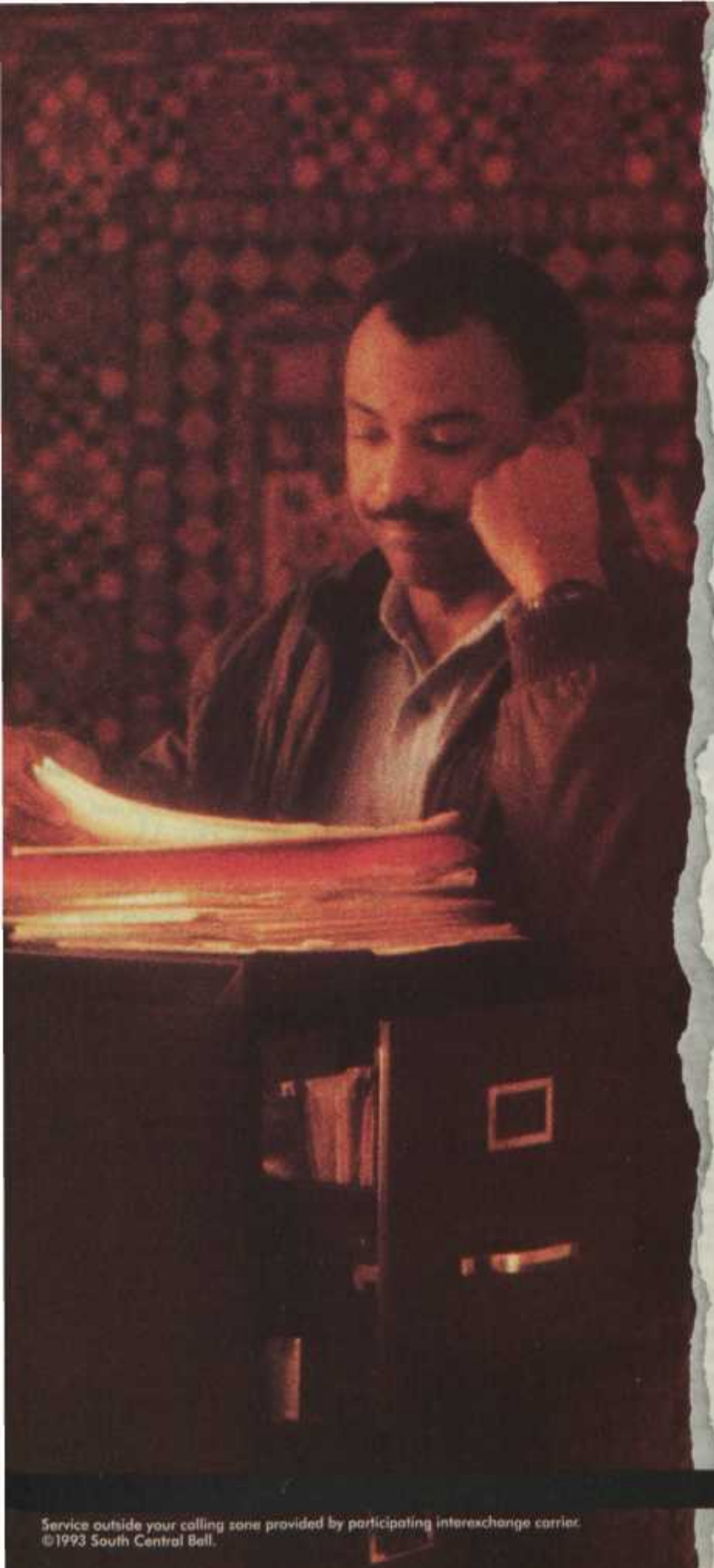
Business Information Service for the Newly Independent States (BISNIS). This service within the U.S. Department of Commerce offers information on commercial opportunities, sources of financing, and an up-to-date list of trade officials and contacts; (202) 482-4655.

BRIDGES, a trade association of some 400 North American companies interested in doing business in Russia, gives members a two-volume, 1,200-page handbook of practical information on the subject and has a database of industry leaders throughout the republics. Contact the association at the World Trade Center, 1675 Broadway, Suite 2320, Denver, Colo. 80202; (303) 220-5397.

The Geonomics Institute offers consulting services, seminars, and publications on doing business in Russia. The institute has extensive contacts with reliable business executives in Russia, and it can be reached at 14 Hillcrest Ave., Middlebury, Vt. 05753; (802) 388-9619.

Local chambers of commerce have been organizing trade missions to Russia, and they are proving to be excellent opportunities for meeting "prescreened" potential partners.

The mayor's office in your city would have information on any sister-city ties that may exist between your community and a town in Russia. Sister-city ties generally mean that various official channels have already been opened between the two communities, facilitating contacts.



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MANAGING

A Renter's Market

Continued high vacancy rates in commercial real estate can help you negotiate a rent reduction and increased space.

By Roberta Maynard

Is your overhead climbing faster than your gross profits? If you have reduced your company's travel and entertainment expenditures, dues and subscriptions, and other obvious costs but you haven't realized the savings that you had hoped for, consider the space you lease.

High vacancy rates for commercial space are expected to continue for a few more years, keeping the pressure on building owners to retain and attract tenants in the face of oversupply, tight credit, and corporate downsizing.

So, in the property-leasing business, it's still a renter's market, and tenants can take advantage of opportunities for significant savings either by moving to new space or by renegotiating an existing lease.

Jack Levy, who heads his own advertising agency in Chicago, benefited when the commercial real-estate market went into a recession just as his 10-year lease ran out.

Levy's decision to move into new quarters last year reflected a dominant theme of the early '90s: Less buys more.

"We were paying $32 per square foot," he says. "The decision was whether we should continue to do that and get lavish space. But we realized that clients don't want to see their money go into lavish furnishings; they want to see it prudently handled. So we chose the modest route—space that costs $17 per square foot—and that [savings] is dropping to the bottom line."

At his new downtown location, only a few blocks from his former office address, Levy obtained some free parking and six months' free rent. He also gained a 40 percent increase in office space—from 13,200 to 22,000 square feet—to accommodate a planned expansion. His 10-year lease includes an option for additional space.

Even with more space overall, Levy's own office and the offices of his key executives are smaller. The rest of the staff members have about 200 square feet each, compared with 250 to 300 square feet in most agencies. Levy opted for a custom-designed open workspace, which he says has improved the staff's efficiency.

If moving your business isn't viable, consider the benefits of renegotiating a lease. Renegotiating can save a business two to three years of rent over the life of the lease and can reduce its occupancy costs by as much as 15 to 20 percent, says Michael Silver, president of Equis Corp., a Chicago company that helps businesses across the country evaluate and reduce real-estate expenses.



PHOTO: SJOHN ZICH

Advertising agency *owner Jack Levy, right, at work with Dianne Kowaleski and Lawrence Gold at the Chicago firm's new, custom-designed offices.*

"A business that has been in a lease for five years typically pays 33 to 50 percent more than [a new tenant would] because of the drop in real-estate prices," according to Silver.

Because many landlords, uncertain of finding new tenants, are more likely now than in the past to accommodate existing occupants, a tenant can obtain concessions such as allowances for tenant improvements, relocation to a more desirable space within the building, greater flexibility to extend or shorten a lease, and more-liberal sublease and assignment rights.

Another negotiable item that can be of significant value is improved building identity. As anchor tenant in a six-story building, for example, Jack Levy Associates has its name on the building exterior and in the main lobby.

Jim Buckman, vice president of Darome Teleconferencing, saved money by renegotiating the lease for the company's primary location in Chicago. Darome had entered into the lease seven years before at the height of the market and was paying high rent. Along with reducing the rent, the landlord agreed to pay the entire $1 million buildout cost—for partitions, wiring, and other interior construction—of Darome's new call center. The company's total space increased from 13,500 square feet to 33,000.

And while the owner will recover those costs through rent over the course of the 10-year lease, Buckman says, the company was still able to reduce its rent from $36 per square foot to $22.

Buckman concluded the renegotiation last year. The entire process, including planning, took about nine months. The effort was made possible because of the real-estate market and because the landlord saw Darome as a company with growth potential. "We knew that it was the time to strike," Buckman says.

Other savings can sometimes be realized by scrutinizing the lease itself. "There should be a provision in every lease allowing tenants to inspect the landlord's books to show a breakdown of costs relative to the office space," Silver says. This will reveal any "pass-throughs," or costs to the building owners that should not be passed on to the



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tenants. Certain capital improvements, such as a new elevator, would fall into this category.

A look at the owner's ledger should also uncover any flagrant violations by owners who also occupy space in their building. These might include charges to other tenants for services that the owner-tenant uses exclusively, such as magazine subscriptions or engineering services for the entire building.

In addition to checking for deliberate shifting of costs, check the rent bills for clerical mistakes.

In most instances, you should have the leverage to rewrite the lease in more favorable terms, especially if you join forces with other tenants to ask for common benefits. You may even be able to get a cap on the rent.

In this market, you should have the leverage to rewrite the lease in more favorable terms, especially if you join forces with other tenants to ask for common benefits. You may even be able to get a cap on the rent.

Businesses still have time to take advantage of this trend, based on projections of occupancy rates in the near term. Vacancy rates for commercial real estate overall are not expected to drop to their traditional levels for two or three years, according to Coopers & Lybrand, an international consulting firm based in New York.

Similar or longer recovery periods are forecast for individual segments of the commercial market.

Retail vacancies, for example, which declined by just over 1 percentage point in 1992 to 10.8 percent, are still double their traditional rates, largely because of continued new construction. They are not expected to return to normal for at least two years.

The office market is expected to remain depressed even longer. Vacancy rates nationwide for office space, which reached 19.6 percent in 1992, are not expected to decline to their traditional 5 to 6 percent range for 13 years, and recovery may be as long as 20 years in some cities, according to Coopers & Lybrand.

Meanwhile, as the market forces play out, the ways in which commercial space will be used in the future are expected to change.

"Traditional uses of office space will be replaced by a new set of needs from companies providing services never before seen," according to a recent report from the Building Owners and Managers Association, in Washington, D.C.

"A huge portion of the jobs that will be created as a result will be completely new, with different space and logistical requirements, and commercial real-estate owners and managers will need to find ways to accommodate them," says the report.

Many businesses are rethinking the tendency to add on space and are instead leaning toward creative rearrangement of furniture and the use of common "huddle spaces" and conference rooms, says Silver, the real-estate consultant.

"Facility overhead is strangling the bottom line," he says, "and that means that businesses will have to make the space do more for them." NB

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MARKETING

Opportunity Built By Association

By Gary Teagno



PHOTO: JAMES COOK

"The association marketplace *is one of the finest niche-marketing opportunities to be found," says Daniel Bicker, a partner in Camelot Travel Services.*

When Daniel W. Bicker left an administrative position with United Airlines 10 years ago, his goal was to own a travel agency specializing in the trade-association market. Today, Bicker is a partner in Camelot Travel Services in Englewood, Colo., the second-largest privately held travel agency in the Denver area. Among his clients are about 70 associations with more than 2 million members nationwide.

"Associations are an underserved market niche that is open to any business willing to understand their unique needs," Bicker says. "The association marketplace is one of the finest niche-marketing opportunities to be found."

In these tough marketing times, everyone is looking for an edge. For the small business, the seal of approval of an association can provide just such an edge, through targeted affinity marketing.

Gary Teagno is president of the services holding company of the Independent Bankers Association of America and author of Profiting Through Association Marketing, *to be published in October by Business One Irwin.*

There are more than 100,000 associations at the national, state, and local levels. Associations are as various in nature as the occupations, vocations, and preoccupations of the general population. According to research done by the public-relations firm of Porter/Novelli for the American Society of Association Executives, most Americans belong to at least one association, and more than 40 percent belong to four or more.

Associations range in size and scope. Some are run out of a home, while others have budgets and staffs that rival those of large corporations. But most of them are small. According to Columbia Books' *National Trade and Professional Associations of the United States*, more than 80 percent of associations have one to 20 employees and have annual budgets under $1 million.

Small businesses, for example, are represented at the national level by more than 25 associations. They range from the 215,000-member U.S. Chamber of Commerce, which encompasses businesses of all types and sizes, to organizations that represent specific business sectors.

Marketing through associations is not new. Affinity programs, as they are often called, have been used to market products for more than 20 years. Affinity marketing relies on the good name of the association to market products or services. The members gain improved access or pricing on products, and the business partners generate increased sales. Associations develop affinity programs to attract and retain members while decreasing their dependence on membership dues.

There are five key opportunities for potential development:

Group Purchasing

Group-purchasing programs seek to harness the collective buying power of association members. Many associations represent individuals or small to midsize companies that lack the clout to negotiate volume discounts independently.

The key is to identify products that are specific to the association's membership rather than products that can commonly be purchased over the counter. Consider labeling your product under the association's banner or marketing the product with options customized to meet membership needs. Associations can be a stable source of sales and can present a strategy to solidify market share.

Meridian One Corp., of Alexandria, Va., offers associations a variety of communication products, including long-distance service, overnight shipping, and fax and copying machines, under the banner MemberComm Plus. The firm serves more than 300 associations.

Richard Sullivan, president of Meridian One, says associations "are respected by their members, and therefore mailings bearing the association's name generate higher response rates and improved results."

Financial Services

Member financial programs have been among the most successful association offerings. Perhaps the best example is the affinity credit card, which usually bears the name or logo of the association. Other financial services include car rentals or leasing, equipment leasing, collection services, accounting services, group legal services, member loan programs, and cash-management services.

The key is to design a program that combines a solid product with easier

Entrepreneurs looking for a niche to fill can profit by catering to the needs of underserved special-interest organizations.

access, simplified forms, and less red tape. The more the program is customized for the association's membership, the more successful it will be.

Insurance

The largest source of nondues income for many associations is insurance. For the insurance agent or broker, associations represent a major market opportunity.

Associations with businesses as members typically stress property-casualty coverage, directors' and officers' insurance, and employee-benefit programs. Associations with individuals as members offer health and life insurance as well as financial planning, including annuities or mutual funds.

The key is to emphasize your experience in serving the industry and the financial foundations of your insurance company partner. Remember, the largest asset of any association is its goodwill, and nothing can destroy that faster than an insurance program that leaves claims unpaid.

Information And Education

Many associations lack large specialized staffs, yet they represent members who need books, how-to manuals, directories, correspondence courses, seminars, electronic bulletin boards, job banks, research, and consulting services.

For example, some publishers produce special-edition books for associations. These special editions limit a publisher's risk and make it possible to tailor books to the association's membership.

Marketing And Advertising

Many associations represent small businesses with limited marketing resources. Therefore, some associations develop—in conjunction with marketing firms—turnkey marketing kits for members' use. Other associations advertise on behalf of their members to increase public awareness of their industry.

A major challenge is to identify the associations that best represent current customers or prospects. While several companies offer directories of associations, with 100,000 associations to choose from, it's imperative that you target your prospecting.

Prospecting may be easier than you think, however, if you begin in your own back yard. Which associations do your customers belong to? Which association trade shows do you attend, and what association magazines do you advertise in? By beginning with your own customers, you can leverage your industry experience and harness a valuable "door-opener."



PHOTO: T. MICHAEL KEZA

An association's name *on a mailing improves response, says Richard Sullivan, president of Meridian One.*

Ask your customers for a letter of introduction to the association. The letter can be a powerful key. An association does not want to ignore a dues-paying member. Your customer may also be willing to call the association and introduce you as well as vouch for your products.

If you are already advertising in an association magazine or are exhibiting at association conventions, use your support of the association as evidence of your membership expertise and commitment to the industry.

Next, examine your capabilities and target only those associations that meet your needs. Without such a self-exam, you will waste prospecting time and face growing frustration.

If, for example, your market is limited to a state, you may want to concentrate your prospecting on state or regional associations rather than national associations.

If your customers are specialists within a larger field, you may find more success focusing on the association for the specialists than on one that focuses on a more inclusive membership.

With a short list of prospective associations in hand, interview each association's director; don't simply mail your proposal. The interview lets you introduce your company and determine the association's mission, its attitude toward member services, the decision-making process, and the association's member-communication channels that can support your marketing. Should you decide to pursue the association, your proposal can then be customized, which can improve your chances of success.

Bicker, of Camelot Travel Services, says: "Most businesses approach an association like a for-profit business rather than a nonprofit—a serious misstep. Businesses must take the time to understand the association's mission and then tailor their proposals and products to meet those goals."

For a small business, association marketing offers a number of critical advantages: access to a specialized market of prospects; targeting of your sales, promotion, and advertising; and, perhaps most important, visibility and credibility.

An association eager to attract and retain members and a small business committed to serving those members can form a powerful combination indeed. NB

To order reprints of this article, see Page 72.

Resources

The following materials offer further information on marketing through associations:

Marketing to Associations, a background kit of articles and resources, is available from the American Society of Association Executives; the price is $22 for association members, $44 for nonmembers. Call (202) 626-2748.

National Trade and Professional Associations of the United States is a directory priced at $65 prepaid ($70 if the purchaser is billed) from Columbia Books; (202) 898-0662.

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TRANSPORTATION

Getting It There In A Hurry

Whether global or local, many freight-delivery companies specialize in rapid transit for business customers.

By Julie Candler

Late one Friday afternoon, Louis Starr, vice president of Starr Hydraulics, in Warren, Mich., had to arrange for shipment of a 900-pound pump from a shop in Philadelphia back to a customer in Toledo, Ohio, by Saturday morning so that it could be installed by Monday. Starr checked with freight brokers to locate a carrier, but he could not arrange an overnight delivery.

Then a contact in Philadelphia suggested Roberts Express, based in Akron, Ohio. A Roberts Express driver picked up the pump Friday night and delivered it to Toledo about 8 a.m. Saturday. The overnight shipment cost Starr Hydraulics $900. "It was just short of a miracle," Starr says, that the pump's return was expedited that quickly.



PHOTO: BRUCE ZAKE

Overseeing the loading *of a Roberts Express truck is Americhem's traffic manager, Jerry Roberts, foreground; working with him at the Cuyahoga Falls, Ohio, plant are Loren Burr, left, and Gerrone Palmer.*

Roberts Express, a subsidiary of Roadway Services, also based in Akron, is the largest carrier in the United States and Canada offering door-to-door service 24 hours a day, every day of the year.

"Other services deliver by 10:30 a.m., but what happens when you need it at 6 a.m. or 2 a.m.?" says Joan Mileski, the company's manager of sales and marketing administration. "Roberts is 'the 911' of the trucking business."

From worldwide package shippers such as Federal Express and United Parcel Service to smaller firms such as Michigan-centered E.L. Hollingsworth and Co. of Flint or City Transfer serving Detroit, there are companies of all types that specialize in moving other companies' goods in a hurry. The range of their services is as varied as their customers' needs. Some freight companies are equipped to handle special requests for unusually quick deliveries.

For example, Americhem, Inc., a Cuyahoga Falls, Ohio, producer of color concentrates used in vinyl siding, has relied on Roberts Express to meet tight delivery deadlines for more than nine years. "We use them for supercritical shipments that have to be delivered right away," says Jerry Roberts, traffic manager at Americhem's headquarters.

According to the carrier, 95 percent of its shipments arrive within 15 minutes of schedule. Recently, however, for the first time in nine years, an Americhem shipment via Roberts Express was late. It arrived in Canada on July 6 instead of the promised delivery date of July 5. "The shipment is free, and Roberts Express is sending a letter of explanation to the customer so they aren't mad at us," says Americhem's Roberts.

Another customer, Tastemaker, a Cincinnati company that makes natural and artificial flavorings for foods and beverages, recently had Roberts Express transport 27,000 pounds of flavorings to a West Coast food processor; the shipment had to be delivered in less than 72 hours.

"A customer called us Friday, May 28," says Robert Crompton, Tastemaker's warehouse and traffic manager. "They had stepped up their production schedule and needed the shipment by noon Monday, May 31, which was Memorial Day. Roberts Express picked it up here around 4 p.m. Friday. I told the drivers, 'If this truck breaks down, get another truck and keep the material moving, because it has to be there.' Two drivers must have driven straight through, because Roberts called and said it had been delivered Monday morning."

John Power, director of transportation and logistics at Westinghouse Electric Corp., in Pittsburgh, relies on the carrier for speedy shipment of powerplant equipment.

Power says he wishes there had been a Roberts Express when he started in the business in 1957. "In an emergency in those days, you would have to get somebody on the staff to personally trace and follow the shipment every step along the way," he says. "You would have to have the terminal managers contacted and have the driver get out of the truck and phone the office to tell where he was every four hours or so.

"There was a tremendous amount of time expended in this expediting to assure timely delivery."

Today, tracking a shipment doesn't have to slow it down. All Roberts Express vehicles have two-way satellite communication. Drivers, working as independent owner-operators under exclusive contract to Roberts, buy trucks according to the company's specifications. Trucks are dispatched from 141 express centers in the United States and Canada. The carrier has access to 1,500 trucks of various sizes.

Freight charges for expedited service at Roberts Express are based on unit size and distance, not on weight, enabling the company to deliver for less than air freight companies' premium charges for heavy loads. "If you shipped 1 to 500 pounds from Detroit to Chicago, it would cost $350 by Roberts Express," says Jack Pickard, the company's vice president for sales. "So, for a 20-pound package, we cost more than a traditional air carrier."

Like the fabled tortoise that plodded

along and beat the hare, Roberts' trucks go door to door nonstop with no transfers to meet the guarantee of same-day or sunrise delivery for shipments within 800 miles.

Longer shipments are handled by Roberts CharterAir.

"We are designed for heavyweight shipments, not small packages," says Pickard. "We are faster and cheaper than air freight for heavyweight shipments going up to 800 miles."

For information on Roberts Express, call 1-800-ROBERTS (1-800-762-3787).

Air Freight Providers

Among the many other companies whose package-delivery services include shipments by air nationwide or overseas are the following:

Burlington Air Express, of Irvine, Calif. The company offers overnight, door-to-door delivery of virtually any size or weight to every major business center in the United States.

Burlington Air's next-flight-out service means same-day delivery in most instances. It has its own aircraft and bases delivery charges on weight. A 500-pound shipment from Detroit to Philadelphia would cost $565, Burlington says. Volume customers receive discounts. Call 1-800-CALL-BAX (1-800-225-5229).

DHL Worldwide Express, based in Redwood City, Calif. DHL provides same-day service nationwide for packages of up to 50 pounds. Hawaii and Alaska are included for early shipments. DHL uses local couriers for pickup and delivery. For additional information, call 1-800-225-5345.

Federal Express, headquartered in Memphis, Tenn. The company handles next-day delivery for packages of up to 150 pounds and 165 inches in combined height, width, and depth. Larger packages are accepted for Heavyweight Service, with delivery by the second business-day afternoon.

Federal Express' computer network can track packages from pickup through delivery.

Local service centers are usually open 12 hours daily Monday through Friday and until 5 p.m. Saturdays. For pickups, customers should call by 7 p.m. weekdays and 4 p.m. Saturdays. For information, call 1-800-238-5355.

United Parcel Service, based in Atlanta. UPS offers Next Day Air, with pickup within the hour until 8:30 p.m. in metropolitan areas. Call 1-800-PICK-UPS (1-800-742-5877) between 7 a.m. and 8 p.m. Monday through Friday. Delivery the next business day is usually by 10:30 a.m., or noon on Saturdays.

The UPS surface fleet of 116,000 trucks makes most shipments. UPS limits shipment size per package to 70 pounds and combined dimensions—height, width, and depth—of up to 130 inches.

Service includes a new "Total Track" system of cellular-telephone networks linked with UPS's telecommunications system. The company says the system is the first to allow drivers to transmit data over a cellular network. Shippers can track UPS shipments via computer or by calling 1-800-457-4022 seven days a week, 24 hours a day.



PHOTO: SANDY SNOW

Outbound *from Tastemaker, in Cincinnati, a shipment of flavorings receives a final check from Robert J. Crompton, warehouse and traffic manager.*

Commercial Airlines

Several major commercial airlines provide special services for small shipments. Some will also make advance arrangements to guarantee space on a specified flight for a shipment that fits into the aircraft and needs fast delivery but is too large for the airline's special small-package service.

Airlines can also arrange for connecting service with one another. In addition, many airlines coordinate ground transportation through Air Cargo Inc., a company owned by airlines and based in Annapolis, Md.

Among the commercial airlines offering special small-package services are:

American Airlines. Last year, American began First AAM, guaranteeing next-day, door-to-door delivery by 8:30 a.m. for packages of up to 70 pounds. So far, it is operating only out of Dallas-Fort Worth International Airport, although there are plans for expanding the service.

Delta Airlines. Delta's DASH service takes packages of up to 90 inches in combined dimensions and up to 70 pounds. Customers can drop off packages at the airport before a specified flight or can arrange pickup and delivery for an additional charge. Call 1-800-638-7333.

TWA Cargo. TWA takes shipments of up to 50 pounds for its Next Flight Out service. Packages can be picked up for an extra charge or delivered to TWA at the airport 30 minutes before flight time. The recipient can claim the package at the destination airport's Next Flight Out desk 30 minutes after arrival.

Common Carriers

Many common carriers also provide expedited nationwide or regional service. Examples of such companies include:

Arizona Express, in Phoenix. The firm often makes special arrangements for same-day or expedited delivery to California or southern Nevada when requested.

City Transfer, based in Plymouth, Mich., and serving the Detroit area.

E.L. Hollingsworth and Co., in Flint, Mich. The company guarantees pickup within 60 minutes anywhere in Michigan and shipment door to door. The firm's 150 trucks also pick up and deliver anywhere in 48 states and Ontario. Call the dispatch office at (313) 233-7331 at any time, seven days a week.

Overnite Transportation, in Richmond, Va. The company is nationwide and offers Niteliner, a next-day delivery service; 1-800-368-5035.

Roadway Express. Another subsidiary of Roadway Services, Roadway Express offers Blue Ribbon service, expediting intercity shipments. For about double the charge for regular freight, a six-day trip from Maine to California can be made in three to four days. Call between 7 a.m. and 7 p.m. Monday through Friday; 1-800-257-2837.

Yellow Freight, of Overland Park, Kan. The company introduced Express Lane Service in 1992, an expedited service for shipments of 500 pounds or more. Call the nearest Yellow Freight terminal during business hours.

For additional listings of package-delivery companies, check your Yellow Pages under headings such as Air Cargo & Package Express Service, and Delivery Service. NB

Family Business

Keeping firms and families together; helping in-laws avoid becoming "out-laws"; facing up to environmental risks.

OBSERVATIONS

New Resources For Business-Owning Families

By Sharon Nelton



PHOTO: T. MICHAEL KEZA

Newspapers tell us almost daily about the latest feud in some family business or another. When I read such stories, I can't help but think, "Don't these families know that resources are available to help prevent this sort of thing?"

Never before have business-owning families had so many resources to help them keep their families—and their businesses—together. Let me tell you about some of them:

■ *Getting to Win-Win in Family Business* (WorldComm Press), by Gerald Le Van, is a 176-page workbook designed to help you analyze your family and business and come up with your own solutions to the problems you uncover. It opens with 39 questions that the author says family firms need to answer in order to survive. Some examples: "How do we select the next leader of the company?" "Who should own stock in the business?" "What are our responsibilities to the community?"

Le Van is a lawyer and a family-business consultant. To order the book, send a check for $25 to Le Van Associates, Suite 525, BB&T Building, Asheville, N.C. 28801; (704) 255-0131.

■ The Family Business Leadership Series is group of guides, 42 to 80 pages in length, prepared by *Nation's Business* columnists Craig E. Aronoff and John L. Ward and others.

Four titles are available: *Family Business Succession: The Final Test of Greatness; Another Kind of Hero: Preparing Successors for Leadership; How Families Work Together;* and *Family Meetings: How To Build a Stronger Family and a Stronger Business.*

A fifth title, *Family Business Compensation,* will be published in September.

Single copies are $14.95 each. Discounts are available on two or more copies. For information, contact Business Owner Resources, P.O. Box 4356, Marietta, Ga. 30061-4356; (404) 425-6673.

■ Monographs and books by family-business experts are available from the Aspen Family Business Group, a consulting firm.

Among the monographs are *The Challenge of Families Who Work Together,* by Leslie Dashew Isaacs; *Family Boards: How To Make Them Work,* by Sam H. Lane; and *The Family Business Employment Policy,* by David Bork.

The books include some of the well-known older family-business titles, such as *Working with the Ones You Love,* by Dennis T. Jaffe (Conari Press), and *Smart Growth: Critical Choices for Business Continuity,* by Ernesto J. Poza (Jossey-Bass).

For a complete list and order form, contact the Aspen Family Business Group at 117 Aspen Airport Business Center, Suite 201, Aspen, Colo. 81611; (303) 925-8555.

■ The Family Firm Institute publishes an annual *Directory of Consultants & Speakers.* The 1993 edition lists more than 50 family-business consultants and speakers who are members of the institute, an organization of professionals who serve family businesses. The directory is available free of charge from the Family Firm Institute, 12 Harris St., Brookline, Mass. 02146; (617) 738-1591.

Family-business members tend to think that their problems are unique, but once they start using the resources that are available to them, they discover they are not alone in their problems and that solutions can be found. And best of all, some problems can actually be prevented. ■

PLANNING

In-Laws In The Family Business

By Craig E. Aronoff and John L. Ward

Some in-laws call themselves "out-laws"—they feel they are that remote from the family's business.

Parents, feeling helpless, cross their fingers and hold their breath when their children get married. They worry that unpredictable and uncontrollable additions to the family might disrupt the already challenging task at hand. They grow nostalgic for the days of arranged marriages.

But we urge the families to view the situation from the perspective of the in-law. With empathy, understanding, acceptance, and education, families can help spouses support the family business rather than distrust it or even disrupt it.

In-laws enter their new families with the experience of culture shock. Unless they come from a business-owning family, they have little understanding of what to expect. As one new daughter-in-law put it: "The family business is the central topic every time family members get together. If you aren't closely involved in the business, you feel left out. I know my husband's brother-in-law agrees. It's like they have a secret language!"

This feeling is common. Most business-owning families have used the business as the center of conversation for decades.

The in-laws, most likely, come from a



PHOTO: T. MICHAEL KEZA

John L. Ward, left, is the Ralph Marotta Professor of Private Enterprise at Loyola University Chicago. Craig E. Aronoff holds the Dinos Chair of Private Enterprise at Kennesaw State College in Marietta, Ga. Both are family-business consultants.

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Akron,	OH	WBNX
Allentown,	PA	WFMZ
Alpena,	MI	WBKB
Amarillo,	TX	KAMR
Anchorage,	AK	KYES
Baltimore,	MD	WMAR
Binghamton,	NY	WICZ
Birmingham,	AL	WABM
Bogart,	GA	WNGM
Boise,	ID	KTVB
Boston,	MA	WSBK
Bridgeport,	WV	WDTV
Brunswick,	GA	WBSG
Bryan,	TX	KBTX
Butte,	MT	KXLF
Cedar Rapids,	IA	KGAN
Charleston,	SC	WCTP
Charlotte,	NC	WJZY
Cheboygan,	WI	WTOM
Chicago,	IL	WGBO
Cincinnati,	OH	WSTR
Columbus,	GA	WLTZ
Columbus,	MS	WCBI
Columbus,	OH	WBNS
Dallas,	TX	KTVT
Decatur,	IL	WFHL
Denver,	CO	KTVD
Des Moines,	IA	KDSM
Detroit,	MI	WKBD
Eugene,	OR	KEVU
Evansville,	IN	WLCN
Fargo,	ND	KXJB
Flagstaff,	AZ	KKTM
Florence,	AL	WYLE
Fort Wayne,	IN	WFFT
Fresno,	CA	KMPH
Grand Rapids,	MI	WXMI
Great Falls,	MT	KRTV
Greensboro,	NC	WGGT
Greenville,	SC	WHNS
Hagerstown,	MD	WJAL
Hartford,	CT	WVIT
Hickory,	NC	WHKY
Hobbs,	NM	KHFT
Houston,	TX	KHTV
Huntsville,	AL	WAFF
Kingman,	AZ	KMOH
Las Cruces,	NM	KZIA
Lafayette,	LA	KADN
Las Vegas,	NV	KLAS
Lead,	SD	KHSD
Lexington,	KY	WKYT
Little Rock,	AR	KATV
Louisville,	KY	WLKY
Lufkin,	TX	KTRE
Madison,	WI	WMSN
Manchester,	NH	WGOT
Mankato,	MN	KEYC
Martinsburg,	WV	WYVN
Meridian,	MS	WTOK
Miami,	FL	WBFS
Milwaukee,	WI	WVTV
Minneapolis,	MN	KSTP
Missoula,	MT	KPAX
Mobile,	AL	WKRG
Monroe,	LA	KNOE
Myrtle Beach,	SC	WGSE
Nashville,	TN	WKRN
New York,	NY	WWOR
Norfolk,	VA	WVEC
North Platte,	NE	KNOP
Omaha,	NE	WOWT
Orlando,	FL	WOFL
Panama City,	FL	WJHG
Parkersburg,	WV	WTAP
Philadelphia,	PA	WGTW
Phoenix,	AZ	KPHO
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different background. They lack experience to prepare them for the dominance of the family's business.

Differences in values and expectations can create marital conflicts. A business-owning family's expectations regarding holidays, free weekends, or regular dinner times can lead to real strain.

Labor Day, for example, can be a day of hard work for a husband active in his family's retail business, but it's a day for picnicking to a wife who grew up in a different kind of family.

Conflicts can be magnified when the in-law struggles to maintain equivalent relationships with his or her own family. The business-owning family often has greater influence over where and how the young family will live. The business family has business reasons to be in touch almost every day. And the successful business family can usually be more generous with holiday gifts and vacation support. Sometimes in-laws resent the influence of the business family over their lifestyles.

We offer a few basic recommendations to families:

■ Spend time educating in-laws about the family's business. Explain business finances and the requirements for business success. Involve in-laws in regular family meetings, and encourage lots of basic questions.

■ Ask new in-laws to describe their family's holiday and vacation traditions. Work to honor traditions on both sides. Sometimes selflessness and creativity are necessary.

■ Establish times when discussing the family business is off-limits. Encourage in-laws to share their interests, and encourage occasions when the business-owning family can appreciate what new family members can contribute.

■ Be open with information. Discuss issues such as compensation policies for family members.

Spouses naturally see their mates as competent, fair, and, generally, "the best." Whenever there are differences of opinion or conflicts in the business family, in-laws tend to support their spouses, straining relationships further.

After a tough day at work, it's common for a family member to come home complaining to his or her spouse about some relative in the business. While it helps to vent the day's frustrations, doing so creates anger and resentment on the part of the spouse toward some members of the family she or he married into.

Perhaps it is natural to promote oneself to one's mate—to highlight one's strengths and the others' weaknesses. When that happens, however, the in-law becomes increasingly less tolerant of the spouse's relatives. In-laws begin to look for those relatives' ascribed traits in settings outside the business. When "validated," differences in personality or style



ILLUSTRATION: DAVID CHEN

among family members can widen and become more significant.

To minimize the injury such schisms can cause, we suggest that the members of the business-owning family consciously develop agreements about what behavior is encouraged.

Some families even put these agreements into a "family code":

■ Don't complain about other family members to your spouses. Recognize that such complaints are usually unbalanced, unfair, and destructive.

■ Promote the strengths and importance of family members to spouses. In most cases, the family business is stronger because of complementary skills and orientations. In-laws need to understand that when the family team is stronger, everyone is better off.

■ Include spouses in family meetings and shareholder meetings. There, they can come to their own conclusions and see everyone's imperfections, including their spouses'.

In today's world, not dealing with the possibility of divorce is unrealistic, but restricting stock ownership to "blood" family members or drafting prenuptial contracts that protect the business-owning family can create hard feelings with in-laws.

Family rules or expectations should be established before new loved ones enter the scene. Then the business-owning family can inform all potential in-laws of the family's policies without those policies being taken personally.

The long-term strength of the family business depends on the support of in-laws. The ability of the family to be sensitive to a new family member's background and to include in-laws on the family team is not only good business but also sets the stage for harmony and mutual respect among family members in the future. After all, the "out-laws" are parents to the next generation of family. ■

MARK YOUR CALENDAR

Sept. 14, Southfield, Mich.

"How Families Work Together," a daylong workshop sponsored by the Family Business Council, based in Southfield, Mich., features *Nation's Business* columnist John L. Ward. For information on the council and the workshop, call Rick Segal at (313) 353-5600.

Sept. 22, Hartford, Conn.

"Succession Planning," a full-day seminar on the critical issues in succession planning for small businesses, is sponsored by the U.S. Small Business Administration and Connecticut Mutual Life Insurance Co. To be repeated in Salt Lake City, Oct. 6; Chicago, Oct. 19; San Diego, Oct. 22; Baltimore, Oct. 25; and Dallas, Nov. 2. Call 1-800-367-2865.

Oct. 22, Itasca, Ill.

"Transitions and Turning Points in the Family Business" is the theme of an annual conference sponsored by the Midwest Association of Family Business Owners. The featured speaker is Mike Cohn, author of *Passing the Torch.* Call (708) 495-8900.

Oct. 19, Goshen, Ind.

"Strategic Planning for the Family Business" is a daylong seminar sponsored by the Goshen College Family Business Program. Call Leonard Geiser at (219) 535-7451.

Nov. 9, Hatfield, Pa.

"Family Meetings and Outside Boards of Directors" is the topic of an all-day seminar featuring John L. Ward, a *Nation's Business* columnist. Call Henry Landes at the Delaware Valley Family Business Center at 1-800-296-3832.

How To Get Listed

This list of family-business events features national and regional programs that are open to the public. Send your item three months in advance to Family Business, Nation's Business, *1615 H Street, N.W., Washington, D.C. 20062-2000.*

CASE STUDY

A Toxic Impasse

Curt has reached an impasse with his father, Morris, and his uncle, Warren, over the future of the family's electroplating company.

Morris, 61, and Warren, 67, founded the business and have operated it for 35 years. Now, at 37, Curt is general manager.

Profits increased dramatically in the 1980s but began to slow down several years ago, just as Warren and Morris were beginning to spend less time in the company. But Curt's greater worry is that his father and uncle have refused to install the pollution-control systems recommended by their trade group. They insist that the company's processes are environmentally sound enough.

"The longer they delay, the more expensive it will become," Curt says. He believes the company should allocate at least 25 percent of its pretax profits for pollution control, but he can't persuade his uncle and father to act, largely because installing the systems would decrease the income that they have enjoyed.



ILLUSTRATION: DAVID CHER

Furthermore, the cost would require the company to take on new debt and divert a significant portion of its operating income to maintaining the systems. But if the systems aren't installed, Curt fears, environmental regulators could shut the company down.

The bottom line: There just isn't enough money for Warren and Morris *and* the pollution-control systems. Nor is selling the company an option. Because of the unresolved environmental issues, Curt says, the value of the company to a potential buyer is probably about one-third of what Warren and Morris think the company is worth.

"How can I get Dad and Uncle Warren to take action on these issues?" Curt asks. "And what kind of future will I have if they don't?"

Use Help To Get Heard

Some situations are soluble. This one may not be. If Warren and Morris refuse to face reality, their company may not pass to the second generation, and all three principals will suffer economically and emotionally.

Curt isn't being heard. In terms of communication, he may be employing numerical data, whereas entrepreneurs often respond better to visual information: charts, graphs, even a drawing of a closed factory.

Perhaps if Curt arranges a family-business retreat, facilitated by a professional, Warren and Morris will attend. The retreat should involve all interested "stakeholders," including family members not active in the business.


PHOTO: BJORN ROSEN

Paul Frishkoff, professor of business administration at the University of Oregon and partner in Leadership in Family Enterprise, Eugene, Ore.

If neither Warren nor Morris attends, the meeting might still open up communication, and family members might devise a strategy that will influence the founders to change their behavior.

Somebody—perhaps a trusted adviser—ought to raise these questions with the founders, at the meeting or in private:

- Is the income you're taking from the company a necessity or merely a habit? Are you aware that at the rate you are withdrawing money—not to mention possible Environmental Protection Agency intervention—the company will be insolvent within months?
- How have you planned for retirement? If you expect to live off the sale of your company to Curt or to outsiders, have you considered what will happen to the selling price if pollution controls are not installed?
- How important to you are Curt's well-being and that of other affected family members?

Curt had best consider how employable he is elsewhere. If he is not marketable outside the company, he might well devote his energy to becoming so. The writing is on the wall.

Clarify Expectations

These owners have reacted against, not responded to, changes in society's emphasis on environmental management, and a lack of response and planning is threatening their business's future. The regulations will not go away. The issue is how Curt, Warren, and Morris can get together to deal with them.

Warren and Morris are in a preretirement stage. Their expectations regarding continuation of the business as well as its role in financing their retirements may not be clear. Curt's desires regarding future ownership may not be clear either.

The company is in a critical transition period driven by pressures both internal—business decline and leadership succession—and external—environmental regulations. Clarifying the expectations of Warren, Morris, and Curt could help focus on what can be done.


PHOTO: OSCAR DIAZ

Edwin A. Hoover, president of LSi Resource for Family Business Management, in Oakbrook Terrace, Ill.

A 10-year vision for the business, supported by a business-continuity plan of three to five years, should be developed. Realistic appraisal of the business's potential is a must. Can the decline be reversed? How can the company handle the increased costs of doing business caused by regulatory requirements? What are the external opportunities and threats to the company, and what are its internal strengths and weaknesses? Answering these questions and developing detailed financial projections will paint the picture the principals must look at.

Curt appears to be the company's best hope for survival, and business-continuity planning will help him evaluate his options. He should consider an asset purchase of the business to avoid past liability. He may make getting the pollution-control systems a requirement for his pursuit of ownership.

Clarifying objectives while assessing the business's future will foster objectivity and unity. Objectivity is needed to avoid emotional quicksand, and unity to overcome the obstacles.

This series presents actual family-business dilemmas, commented on by members of the Family Firm Institute and edited by Mike Cohn, president of The Cohn Financial Group, Inc., in Phoenix. Identities are changed to protect family privacy. The authors' opinions do not necessarily reflect the views of the institute. **Copyright © by the Family Firm Institute, Brookline, Mass.**

Direct Line

Experts answer our readers' questions about starting and running their businesses.

By Meg Whittemore

MARKETING

For Slender Budgets

Is there marketing information targeted at small-business owners like me who lack the budget or the time to market products?
K.W., Topeka, Kan.

Developing a marketing plan need not be cumbersome, time-consuming, or expensive. Marketing consultant Adrienne Zoble has produced *The Do-Able Marketing Plan*, a workbook that outlines cost-effective tips for developing and implementing a marketing plan. For example, following up on sales with phone calls or thank-you notes to customers are aspects of marketing, she says. So is calling customers whom you haven't seen in a while to find out what is new. "Customers love to get your personalized attention," she says.

An inexpensive way to get information on what you are doing right—and wrong—in your business is to ask your customers. Invite them to lunch, show them you are sincere, and take notes on their comments, says Zoble.

Zoble's bimonthly letter to customers, *Unconventional Wisdom*, focuses on ways to make smarter marketing investments in money, people, and time. A



ILLUSTRATIONS: MARTHA VAUGHAN

one-year, six-issue subscription is $89.95 plus applicable sales tax. *The Do-Able Marketing Plan* is $42.95 plus $6.75 shipping and handling.

Both the workbook and the letter are available from Adrienne Zoble Associates, Inc., Four East Cliff St., P.O. Box 130, Somerville, N.J. 08876; (908) 685-8008.

Another newsletter is *The Art of Self Promotion*, a quarterly published by Ilise Benun of Hoboken, N.J. It offers various marketing ideas and tips for small-business owners who don't have the time or money to develop formal marketing plans. The publication explores issues such as cold calls and networking. A one-year, four-issue subscription is $25. A sample issue is $1.

Write to *The Art of Self-Promotion*, 302 Garden St., Hoboken, N.J. 07030; (201) 653-0783, or call 1-800-737-0783.

Show Times

I run a small building-contracting firm, and I need information on trade shows for that industry. Are their directories that might help?
P.A.H., Tewksbury, Mass.

The Trade Show Bureau, a nonprofit organization that provides research and marketing information on the exposition industry, sells a number of directories listing industry shows and schedules. For prices and more information on the publications, contact the organization at 1660 Lincoln St., Suite 2080, Denver, Colo. 80264; (303) 860-7626.

For general information on trade shows, see "Trade Shows' Direct Appeal," in the August *Nation's Business*. To obtain a copy, send a check or money order for $2.50 to Reprint Manager, 1615 H Street, N.W., Washington, D.C. 20062-2000. ■

START-UP

Birth Of A Notion

I want to start a business and be part of an incubator project. How can I reach the group handling that program?
B.B., Dayton, Ohio

There are more than 400 small-business incubators in the U.S. and Canada, according to the National Business Incubation Association. Incubators are organizations that help fledgling businesses with support services aimed at improving the firms' chances of success.

An incubator tenant typically pays below-market rates for office space designed to accommodate business growth or contraction and is offered free consulting on business problems, office-support services, a revolving loan program for working capital, and referrals to banks and customers.

For a free list of the small-business incubators nearest you as well as other useful information, send a stamped, self-addressed envelope to the National Business Incubation Association, One President St., Athens, Ohio 45701.

For additional information, call (614) 593-4331. ■



COPYRIGHT LAW

Protecting The Product

My consulting firm provides published written proprietary training information to various service businesses. I want to copyright my material. How should I proceed?
D.D., San Antonio

The Copyright Office recommends that authors include in any published work a notice of copyright (the copyright symbol, the word "Copyright," or the abbreviation "Copr."), the year of first publication, and the copyright holder's name. By doing this, you would inform the public—and your clients—that your work is protected by copyright.

Under the Copyright Act of 1976, a copyright is generally provided for the artist's or author's lifetime plus 50 years. For additional information and the correct application form (there is a small fee), write or call the Copyright Office, LM 455, Library of Congress, Washington, D.C. 20559; (202) 707-3000. For more on this subject, see Managing Your Small Business, on Page 12. ■

HUMAN RESOURCES

Rules To Work By

I run a business with fewer than 20 employees, and I am developing a personnel manual for the company. Do you have any suggestions on what should be included?
W.C., Eau Claire, Wis.

Experts say a company's personnel policies and procedures should be written in clear, accurate language and should be translated into languages spoken by any employees not proficient in English. There are three types of manuals:

■ Employee handbooks cover matters from dress codes to maternity leave.

■ Operations manuals spell out how a company handles situations that may range from crisis management to customer relations.

■ Job handbooks detail the duties and responsibilities of each position within the company.

Developing a Personnel Manual (Self-Counsel Press), by human-resources expert Lin Grensing-Pophal, provides step-by-step guidance on subjects such as hiring and firing, employee benefits, moonlighting, sexual harassment, problem resolution, disciplinary procedures, and legal considerations.

The paperback is $12.95 at book and stationery stores, or it can be ordered for $15.95, check or money order, from Self-Counsel Press, 1704 North State St., Bellingham, Wash. 98225.

See also "Rules You Don't Want To Make," which outlines policies to avoid, in the August *Nation's Business*. To order a reprint of the article, see Page 72.

HOME BUSINESS

By The Numbers

Where can I get information on starting a bookkeeping service out of my home?
D.K., Pittsburgh



Dora Moore, a certified public accountant with Rheinhart & Moore, P.C., in Mitchellville, Md., recommends that you first take a course in bookkeeping and general ledger accounting at a local college. Next, she says, computerize your work, using one of the general ledger accounting software packages sold in computer stores for "$30 to $700, depending on how elaborate you want to be."

To find clients, "don't advertise," she says. Instead, network with a wide range of small-business professionals, including lawyers, insurance agents, accountants, bankers, and real-estate agents. Join a local business group.

The American Institute of Professional Bookkeepers offers members a home-study course on the bookkeeping profession. Membership costs $39 a year. Contact the institute at 6001 Montrose Road, Suite 207, Rockville, Md. 20852; (301) 770-7300. ■

HOW TO ASK

Have a business-related question? Mail or fax your typewritten query to Direct Line, *Nation's Business*, 1615 H Street, N.W., Washington, D.C. 20062-2000; (202) 463-3102. Writers will be identified only by initials and city. Questions may be edited for space. NB

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To Your Health

Managing well includes managing your own health; here is advice to help you do that better.

By Christine K. Nowroozi

How To Choose The Right Doctor

You have just moved to a new area or joined a new health plan, and you must choose a doctor. Faced with a list of names and phone numbers, you may be tempted to make a decision quickly, but you shouldn't. Your choice is too important.

You want a physician you can trust and feel comfortable with. To find the right one, pursue a well-thought-out plan to learn about the education, credentials, competence, and—no less important—personality and style of the physician you are considering. And you should make your choice when you are healthy.

"More and more, patients have perceptions about what they want from a physician," says Dr. Nancy Dickey, a family physician in Richmond, Texas, and a trustee of the American Medical Association. "It's better to get answers before developing a relationship than being upset if it doesn't work out. Most physicians are willing to let you get to know them, and if they aren't, that should tell you something."

Ask for recommendations from friends, colleagues, pharmacists, or your county or state medical society, even if you are choosing from a limited list of doctors participating in a health plan.

Once you have found a doctor and verified that he or she is accepting new patients, ask the following questions:

- Is the physician a licensed medical doctor or doctor of osteopathy? (Osteopathic medicine emphasizes the musculoskeletal system's interrelationship with other systems of the body.)
- Is he or she board-certified?
- With which hospitals is the physician affiliated?

State medical boards, which discipline physicians found incompetent or impaired, provide information on the status of a physician's license. Most boards also release information on a physician's training and disciplinary history.

Physicians who are board-certified have received additional training in a medical specialty—training that may have lasted seven years after medical school—and have passed a board exam administered by one of 24 national boards, such as the American Board of Internal Medicine. Some physicians also earn certificates of "added" or "special" qualification from the boards. The internal-medicine board, for instance, awards certificates in endocrinology and infectious diseases.



PHOTO: ©JOSE L. PELAEZ—THE STOCK MARKET

When you're choosing *a new doctor, ask tough questions. It's important to have a good relationship from the start.*

To check certification, call your local, county, or state medical society. Or go to a library and check out either the *American Medical Association Directory* or the *Directory of Medical Specialists*. These references tell when a physician received board certification, as well as when and where he or she trained.

It is important to ask not only about physicians' hospital affiliations but also whether they have hospital privileges in their specialties. "If they don't, I'd be suspicious," says Laura Wittkin, executive director of the New York-based National Center for Patients' Rights.

It also doesn't hurt to check whether a hospital is fully accredited by the Joint Commission on Accreditation of Healthcare Organizations. No government agency or professional group offers any significant guidance on the quality of hospitals, but hospitals that aren't accredited by the joint commission should probably be regarded skeptically.

Even though insurance plans prescreen physicians' credentials, Wittkin and other patient advocates still recommend that patients do it themselves. She cites the example of a major health-maintenance organization that was unaware that the license of one of its physicians had been revoked.

Certification and accreditation checks are perhaps the easiest part of choosing a doctor. "I tend to minimize these things because they're easy to sign off on," says Rose Thorman, a volunteer educator for the American Association of Retired Persons in Annapolis, Md. "Other factors, such as accessibility, availability, and comfort level, are more nebulous."

Here are some questions that you should ask a physician:

- How can I contact you if an emergency arises when your office is closed?
- Who is your backup?
- Whom should I talk to if I have a question?
- How would you feel about my obtaining a second opinion on your diagnosis or recommended therapy?
- How much will services cost, and when will payments be due?
- Are you willing to accept tests or images such as X-rays that were taken at another office? (A physician's willingness to do so can save time and money and reduce a patient's exposure to radiation.)

Both Thorman and Dickey recommend scheduling a nonmedical appointment with the physician. This will give you a chance to see how the physician responds to you and how he or she interacts with the office staff.

Pay attention to how you are greeted and how the office looks. Expect courtesy, respect, dignity, and responsiveness—qualities the American Medical Association cites in its Patient Bill of Rights.

Don't be reluctant to resume your search if the physician doesn't give you confidence or meet your expectations. You have every right to be satisfied. ■

Christine K. Nowroozi is a free-lance writer in the Washington, D.C., area.

It's Your Money

A monthly survey of strategies and suggestions to help you with your personal finances.

By Peter Weaver

FAMILY FINANCES

Dealing With Jobless Sons And Daughters

For young people not long out of college, it's a jobless jungle out there. They're finding it difficult to get a job that will lead to a career. Many can only find low-paying part-time positions.

Their troubles, of course, can boomerang onto their parents, who are just beginning to enjoy the idea of an empty nest.

"Just when you thought you were home free, you may find yourself with a dependent child again," says Nella Barkley, president of Crystal-Barkley Corp., a New York career consulting firm. She is author of *How to Help Your Child Land the Right Job—Without Being a Pain In The Neck* (Workman Publishing).

It can be a tense, emotional situation. "The last thing you want to do," she says, "is increase your child's anxiety by nagging." (How many interviews have you lined up this week? Did you check the want ads?)

Don't be parental when helping a child find a job, Barkley says. "Become a sort of professional counselor or coach. And have your child be the client."

Encourage your son or daughter to put in eight hours a day five days a week researching employment and career possibilities. Your "client" should be encouraged to define what he or she loves to do: sports, work with children, sales, politics, travel. "Following a dream is the most practical step your child can make in this whole process," Barkley says.



PHOTO: ©JOHN CURTIS—THE STOCK MARKET

Your kids' job interviews *are scarce, and your empty nest is about to fill up again. What can you do?*

Once some goals have been defined, the next step is to work on interviews. "Make a list of friends and professional and business acquaintances," says John Lucht, a New York headhunter and author of *Rights of Passage at $100,000+* (Viceroy), a book on career changes for executives. "When you go to see these people, ask for a reference, not a job," he advises young job-seekers. That will probably elicit a positive response.

"Everyone wants to help these kids, and you should be able to get your contacts talking about valuable introductions, ideas, career strategies," Lucht says.

Barkley and Lucht say young people should write thank-you letters to all who helped with references. "Letters and resumes should be neat as a pin," Lucht says. "Most young people today are computer-literate and should be able to put together good-looking written material."

Crystal-Barkley has developed personal-computer software that young people (and their elders) can use to plan careers and organize job searches. It's called Career Design and can be purchased for about $70 at discount computer stores. ■

PENSION PLANS

To Borrow Or Not To Borrow

If you ever need to borrow some cash quickly, one of your pension plans might be a good source. But you have to know the rules to avoid stiff tax penalties.

Let's start with Individual Retirement Accounts (IRAs). According to the Internal Revenue Service, you cannot borrow money from an IRA without paying a 10 percent penalty in addition to the tax you have to pay on the amount withdrawn. But there is a perfectly legal way around that penalty. When you withdraw money, you have 60 days to put it into another IRA account.



Peter Weaver is a Washington-based columnist on personal finance.

The rule was written to allow transfer of pension money as investment strategies change over the years.

Let's say you have a $15,000 IRA account with the XYZ mutual fund company. You borrow $5,000 from it to make the initial payment for your son's or daughter's college tuition this fall.

You know you'll have enough money to cover the "loan" within the next two months. To avoid any tax penalty, you put the $5,000 back, beating the 60-day deadline.

The money can go into the same fund or another mutual fund, but it must be deposited in a separate account from the original. So you end up with the same $15,000 invested, but now it is in two accounts—$10,000 in one and $5,000 in the other.

With Keogh and 401(k) plans, you are allowed to borrow money, but, in general, you have to pay it back in five years. You must pay interest on the loan, but it can be as little as 1 percent over the prime rate, which is lower than what you would pay anywhere else.

If you need the money for the down payment on a home (principal residence), you can take up to 10 years, or sometimes more, to pay back your Keogh or 401(k).

(See also the item on borrowing from your insurance policy's cash value, on Page 70.) ■

INVESTING

Doing It Yourself As A Home-Based Broker

If you have a computer at home with a telephone modem, you can be your own stock broker by joining an electronic investment network.

Instant information is available on thousands of stocks, bonds, and mutual funds, and you can get the latest financial news, including the Dow Jones & Co. stock ticker on a 15-minute delay.

You can also place buy-sell orders day or night through computer accounts with discount brokers.

"Brokers used to have all the information," says Scott Brown, president of Telescan, a national home-brokerage network based in Houston. "But now anyone can get quick access to the same information and in many cases other research that brokers don't have."

Says Veronica Fielding, a product manager for Dow Jones in Princeton, N.J.: "If you're willing to do your homework after hours, you can get information at a fraction of the cost brokerage firms and institutional investors have to pay during the day."

Says Steve Hein, a program manager for Prodigy Services Co., in White Plains, N.Y.: "If you want to know what stocks, bonds, and funds the experts are currently picking, we can give them to you with our on-line Wall Street Edge compendium of the latest tips from all the major advisory services."

CompuServe, a national computer network based in Evanston, Ill., offers a service called Home-Brokerage. Jan Bowers, a representative of CompuServe, says Home-Brokerage "is one of the fastest-growing segments of our business because more and more individual investors want to do their own research."

Discount brokerage firms are offering buy-sell accounts to individuals who select securities at home on their own. "If you place a computer order," says John Bunch, a broker with Charles Schwab & Co. in Washington, D.C., "we give an extra 10 percent off the regular commission."

Here are some of the major home-brokerage services:

Prodigy. Basic service costs $14.95 a month. You may need a start-up software kit that sells for about $25 at computer stores. For information, call 1-800-PRODIGY.

Telescan. You pay $45 a month for unlimited use between 6 p.m. and 7 a.m. Or pay 33 cents a minute at night, 75 cents during the day. 1-800-324-8246.

Dow Jones. Market Monitor service costs $29.95 a month, providing access to the company's vast array of services. Punch in between 8 p.m. and 6 a.m. 1-800-522-3567.

CompuServe. Access costs $8.95 a month. You'll need a $49 start-up kit. You get unlimited access to basic investment services and pay $8 an hour for additional features. 1-800-848-8199.

Charles Schwab. There's no charge for access to information services or online trading, but you'll need a $69 software start-up package. 1-800-435-4000.



PHOTO: CHUCK SAVAGE—THE STOCK MARKET

Electronic networks *offer PC owners full data on stocks.*

The Ins And Outs Of Placing Stock Orders

When you want to buy or sell a stock, you call your broker to execute the order. It's that simple. Or is it?

There are several ways to place buy-sell orders, and you should know how they work to avoid costly mistakes.

"If you want to buy or sell quickly," says James J. Angel, assistant professor of finance at Georgetown University, in Washington, D.C., "you place a market order," which is an order to buy or sell at the current market price.

On the other hand, when you put in an order to buy or sell at a specified price, Angel says, "it's called a limit order." The broker may have to wait several days, or longer, to fill the order. Or the order may lapse because the limit price was never reached during the specified period.

Then there is the stop-loss order. Angel tells how it works:

"Let's say, earlier in the year, you bought a stock at $75 a share, and it has risen to a current price of $100. You're going on vacation and are worried that, while you are away, the stock might fall back in price. So you place a stop-loss order with instructions to sell if the price drops to $95."

It's a way to protect your profit. But there is a potential danger. What if the stock momentarily hits $95 and then bounces back up again?

To hedge against that kind of unintended close-out, Angel suggests a stop-loss-limit order. As an example, he says, "If your stock falls below $90 a share, your broker is told to sell it—but not to accept less than $85." That gives you a chance to recoup if your basically strong stock suffers a sharp but temporary drop.

When deciding to place a stop-loss or stop-loss-limit order, make sure the stock exchange will handle such a transaction. The New York and American exchanges have specialists on the market floors who handle stop-loss orders.

"If placing special orders seems daunting, then you're probably better off with some good mutual funds," Angel says. "Their professional traders know exactly what to do to make orders work in the investors' favor." ■

INSURANCE

Borrowing From Your Policy's Cash Value

If your life-insurance policy has a cash-value feature, you can borrow from it. Through various processes, you can end up paying interest as low as 0.5 to 2 percent—or even no interest at all. You can even take a substantial amount of money out later on for a retirement fund and pay no tax on it. But if you don't understand exactly what you're doing, "it could work against you," says Margaret Welch, a partner in the financial planning firm of Armstrong, Welch and McIntyre, in Washington, D.C.

For example, if you borrow too much and interest rates drop below the insurance company's "investment assumptions," you could be asked to ante up more money to keep your policy in force. If you didn't have the money, says Robert L. Tedoldi, president-elect of the National Association of Life Underwriters, "your policy would lapse." If this happens, the borrowed amount might come to more than you put in as premium deposits, and the Internal Revenue Service would then consider it a taxable capital gain.

"If you are not careful with your borrowing, it can all unravel fast," Tedoldi says. That is why he and Welch both advise paying back temporary loans as soon as possible. They also recommend a conservative approach in setting up insurance plans that are supposed to provide periodic "tax-free" withdrawals in retirement. If the growth projection for the invested capital in the policy is too rosy and interest rates drop, your withdrawals might be curtailed and you might even have to put in more money.

Says Welch: "Whether you're buying a new policy or reviewing an old one, make sure you understand all the loan and income-withdrawal conditions." NB

For Your Tax File

How to keep taxes from trapping you.

By Albert B. Ellentuck

RECORD KEEPING

Add Up Your Home Improvements To Cut Your Capital Gains

As we mentioned in the item in May on the importance of keeping good tax records, your records of home improvements can pay off in lower taxes. Every dollar of verified additional cost can add to the tax basis of a residence and ultimately reduce the gain on the sale of the property. Yet even if you keep good records, you may overlook many costs that qualify as part of the tax basis.

The calculation of tax basis starts with the home's purchase price and acquisition expenses. These expenses include transfer taxes, survey and appraisal fees, abstract fees, charges for installing utility services, legal fees, recording fees, title insurance, and any amount the seller owes that you agree to pay, such as back taxes, recording or mortgage fees, charges for improvements or repairs, and sales commissions. Keep your closing statements and any other records of these expenses.

Your tax basis will then be increased by improvements, special assessments for local improvements, and amounts spent after a casualty to restore damaged property.

And certainly, adding a new room, finishing a basement, or adding a deck are all obvious improvements that will add to a home's tax basis. But what about new plumbing, wiring, air conditioning, a heating system, a new roof, a burglar alarm, an intercom system? All of these items can also be added to your basis.



PHOTO: SHANEY HILL

Kitchen remodeling *and other home improvements can cut taxes when you sell.*

What about the cost of repaving the driveway, landscaping, and replacing windows? Or of adding weather stripping, ventilators, a television antenna, or a garbage disposal? All of these are examples of improvements that should also add to your home's tax basis. Remember, repairs or other expenditures only to maintain the property do not affect the tax basis.

If, like most taxpayers, you haven't kept track of all of your improvements, consider going through your records to locate old bills and canceled checks related to home improvements. When in doubt about whether an item is a repair or an improvement, save the bill. Your accountant will know how to treat it, and you will be glad you saved it.

Records of the cost of acquiring or improving property should be retained at least until the property is sold. In some instances, however, you should keep the records longer. For example, if the sale involves a tax-free rollover, in which you sell your principal residence and buy another one, the records should be retained until you ultimately sell a residence with no additional rollover.

Why bother with this record keeping if you plan to sell your home when you are 55 or older and the $125,000 of the gain realized on the sale is excluded from taxes? The point is that when you do ultimately sell your home, there is a good chance that your gain will exceed the $125,000 exclusion amount and be taxable.

Records of home improvements will lower your taxable gain and your tax liability. ■

DEPRECIATION

The High Court's Ruling On Customer Lists

Companies with intangible business assets, such as customer lists, may benefit somewhat under a recent Supreme Court decision on the tax treatment of the assets. The high court has expanded the types of intangible business assets acquired in a purchase that can be depreciated by the purchaser.

Newark Morning Ledger Co. vs. the Internal Revenue Service involved a purchase of all of the assets of a newspaper publishing company. Included in those assets was a list of subscribers, which the purchaser depreciated.

The IRS denied the depreciation and argued that the customer list was an asset indistinguishable from goodwill and, like goodwill, cannot be depreciated. The court said, however, the significant question is not whether a "customer-based intangible" is goodwill but whether it can be valued and whether that value diminishes over time. Because the subscriber list had an ascertainable value and a limited useful life, the Supreme Court held that it was depreciable. It was the second defeat for the IRS on the issue of intangible assets. In August 1992, the Tax Court held that a substantial portion of the cost of acquiring a McDonald's franchise was not goodwill and could thus be amortized.

Other customer-based intangibles likely to be affected by the Supreme Court decision are patient or client lists kept by doctors, dentists, and lawyers; banks' core deposits; advertiser lists owned by publishing and broadcasting companies; and insurance expiration lists.

Companies that have purchased ongoing businesses over the past three or four years and have not depreciated customer-based intangibles may want to confer with their tax advisers on whether to file amended returns and claim refunds.

The IRS will likely continue to oppose depreciation of customer lists, but it can no longer argue that a customer list is part of goodwill. Instead, it will raise challenges on the basis of the facts. For example, it will try to determine if the lists can be valued. If so, what is the value? Will the value diminish over time? Nevertheless, when the taxpayer has a strong case on value and useful life, a refund claim could be productive. NB



Tax lawyer Albert B. Ellentuck is a partner in the Washington law firm of Colton and Boykin. Readers should see tax and legal advisers on specific cases.

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Where I Stand



PHOTO: LIM PICKRELL-POLO, INC.

ON LABOR RELATIONS

Results of this poll on the newly appointed federal commission on labor-management relations will be provided to the administration and to congressional leaders.

Send the attached, postage-paid response card. Or circle your answers below, and fax this page to (202) 463-5636.

1 President Clinton's Commission on the Future of Labor-Management Relations will examine ways to improve employer-worker cooperation and reduce workplace conflict and delay. Is such a commission necessary?

1. Yes
2. No
3. Undecided

2 Should this commission focus primarily on unionized workplaces in exploring employee participation in management decisions and other forms of labor-management cooperation?

1. Yes
2. No
3. Undecided

3 Does effective employee participation require that a union represent those employees?

1. Yes
2. No
3. Undecided

4 Federal administrative agencies and the courts are now the principal vehicles for resolving labor disputes. Should less cumbersome, alternative procedures be found?

1. Yes
2. No
3. Undecided

5 Should the new worker-management commission examine ways to make it easier for unions to organize workers?

1. Yes
2. No
3. Undecided

6 Should a majority of workers' signatures on union-authorization cards be sufficient for union recognition, or should the more rigid test of a secret ballot be maintained?

1. Authorization cards
2. Secret ballot
3. Undecided

Send Your Response Today!

POLL RESULTS

Readers' Views On Limiting Spending

The majority of *Nation's Business* readers prefer that the tax increases included in the recently enacted federal budget law be repealed automatically if the promised spending cuts are not achieved. Sixty percent of readers responding to the July Where I Stand poll said this would be the best of the three options they were given to ensure that federal deficits would indeed decline by $496 billion over five years.

Readers were polled on these and other budget options before the budget bill was finalized. (See the complete poll results below.)

BUDGET OPTIONS

I am answering these questions based on how tax and spending options would primarily affect:	1. Me	27%
	2. My business	30%
	3. The overall economy	43%
A final budget bill will include a mixture of tax hikes and spending cuts. Which type of tax would you most prefer?	1. A broad-based energy tax	59%
	2. Increased taxes on individuals	31%
	3. Increased business taxes	10%
Which types of spending cuts would you most prefer?	1. Cuts in entitlement spending (Medicare, Medicaid, Social Security, etc.)	12%
	2. Cuts in discretionary spending	26%
	3. Combination of the two	62%
The president proposed a small-business investment tax credit of 7 percent, dropping to 5 percent after Dec. 31, 1994. The House voted instead to raise the maximum investment write-off to $25,000 from the present $10,000. Which would you prefer?	1. The originally proposed ITC	25%
	2. The higher limit on write-offs	46%
	3. Unsure	29%
If some form of energy tax is included in a final bill, would you prefer:	1. A tax on the retail value of all energy use (ad valorem tax)	26%
	2. Increases in the federal excise tax on gasoline	56%
	3. A tax assessed on the carbon content of energy	18%
Which enforcement mechanism would you prefer to ensure deficit reduction?	1. A deficit-reduction trust fund for new revenues	10%
	2. Automatic spending cuts if spending exceeds specified targets	30%
	3. Automatic repeal of tax increases if promised spending cuts are not achieved	60%

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Congressional Alert

A report on key legislative issues with suggestions for contacting Congress about them.
Addresses: U.S. Senate, Washington, D.C. 20510; U.S. House of Representatives, Washington, D.C. 20515.

A Fairer Approach To Regulation



ILLUSTRATIONS: RICHARD GAGE

Legislation introduced in the House could benefit business by helping to ensure a more reasoned approach to the regulatory requirements placed on the public and private sectors, proponents say.

Introduced by Reps. James P. Moran Jr., D-Va., and William F. Goodling, R-Pa., the bill would require federal agencies to consider the economic impact of their decisions and actions and to choose the least-burdensome options available.

Titled the Fiscal Accountability and Intergovernmental Reform Act (FAIR), H.R. 1295 recognizes that federal regulations impose compliance and implementation burdens on state and local governments that affect public- and private-sector productivity, economic growth, job creation, and international competitiveness.

In requiring federal agencies to assess the economic impact of a proposed rule or action, the legislation is an attempt to remove some of the more onerous regulatory burdens now on both sectors.

According to the U.S. Chamber of Commerce, the costs associated with federal regulations continually stretch local and state government budgets. And in the private sector, businesses—particularly small firms—are forced to divert resources from investment in new technology, business expansion, and job creation, the organization says. The costs to the private sector alone are estimated to be more than $400 billion annually.

The U.S. Chamber supports the goals of FAIR. Further, the Chamber says the legislation should be expanded to provide for an economic-impact analysis of government-imposed paperwork and record-keeping requirements. The Chamber also says clarification is needed on how H.R. 1295 would interact with regulatory laws.

Contact your representative and urge support for regulatory reform that eases the regulatory and paperwork burdens on the public and private sectors. ■

Differences On Campaign Financing

The Senate has passed and the House could soon consider legislation to reform federal campaign laws by restricting citizens' ability to participate actively in the political process.

The House could consider its bill, H.R. 3, introduced by Rep. Sam Gejdenson, D-Conn., in September. The House measure would expand public financing of election campaigns and establish voluntary spending limits for political candidates. It would take effect in 1996.

The Senate-passed bill, while similar to the House bill, would take effect in 1994 and ban all political action committee (PAC) contributions. The House bill would allow PACs.

Under the House bill, the House and the Senate would have different campaign-finance rules; under the Senate bill, the same rules would apply to candidates for both houses of Congress.



The Senate bill would also stipulate that any campaign that does not follow the voluntary spending limits would be taxed at the top corporate rate and that the opposing candidate would receive government subsidies.

The U.S. Chamber opposes public financing, which would dangerously extend the federal government's role in a traditionally voluntary political process based on individual choice. The Chamber also supports current PAC law because PAC contributions are freely given and are fully disclosed. Organized political activity shows that enough individuals care about what is happening politically to form a group dedicated to certain goals, the Chamber says. And further limits, regulations, and taxpayer financing will only discourage citizens from active participation.

Contact your representative to urge support for changes in campaign finance law that focus on preserving and increasing public involvement in the political process. ■

One Way To Trim Federal Spending



A bill that would establish an independent commission to examine the federal budget and recommend spending cuts to eliminate the deficit has been introduced in the Senate.

S. 1191, introduced by Sen. Connie Mack, R-Fla., would create a seven-member, bipartisan federal spending-reduction commission modeled on the successful Defense Base Closure and Realignment commission, created to oversee the downsizing of the domestic military structure.

A similar bill is expected to be introduced in the House by Reps. John R. Kasich, R-Ohio, and Dan Miller, R-Fla.

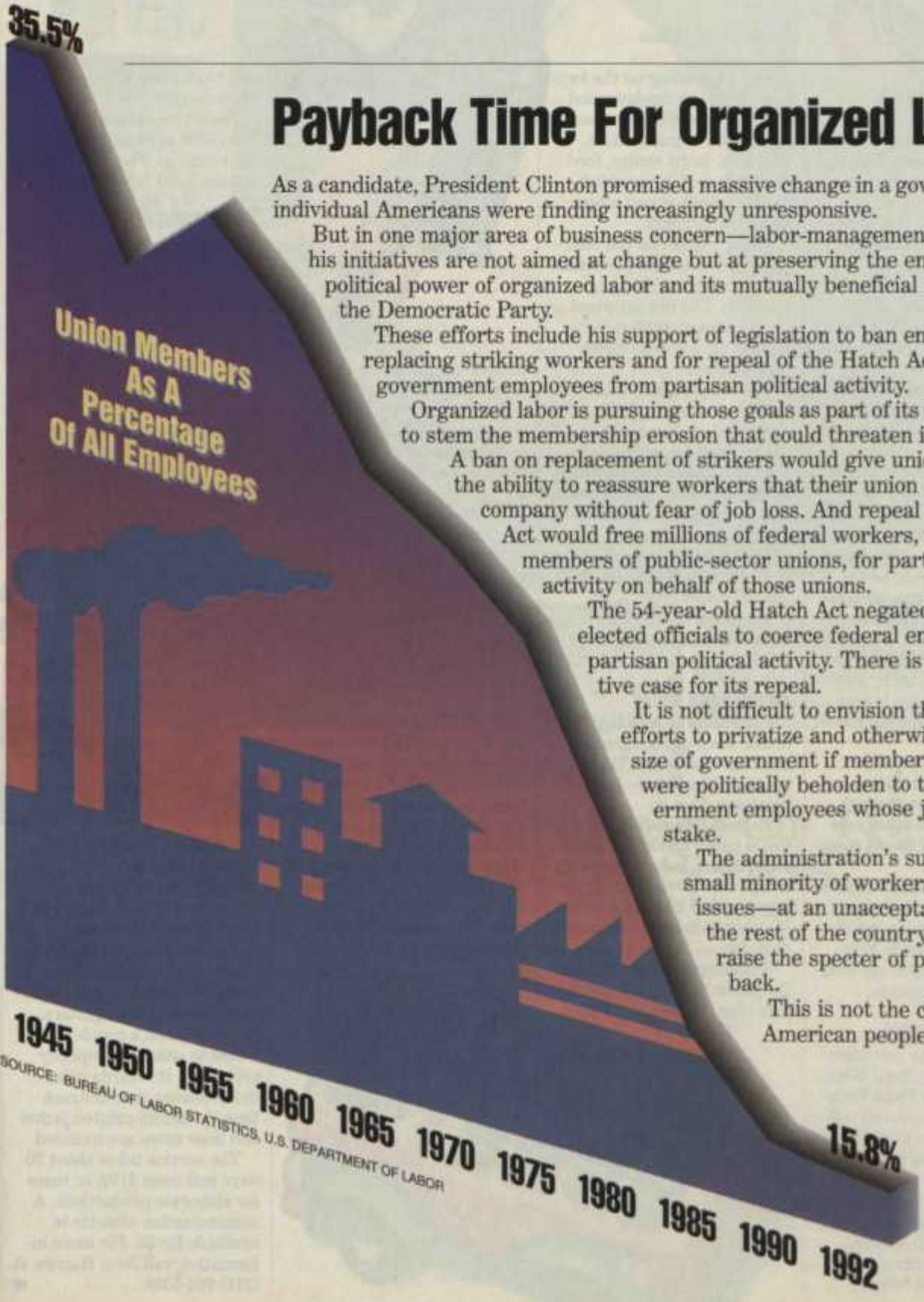
The commission envisioned by the legislation's sponsors would be responsible for identifying $65 billion in cuts to federal programs (excluding Social Security) each year until a balanced budget is achieved. That would take about five years under current spending trends. The commission would submit yearly recommendations to Congress.

The administration and Congress would be required to accept or reject the recommendations without amendments. If Congress cuts spending on its own, the amount of its cuts would be subtracted from the commission's yearly $65 billion requirement.

The U.S. Chamber of Commerce supports the establishment of such a commission. It suggests, however, that the panel's jurisdiction be extended to the Social Security program and that the commission be authorized on a two-year trial basis. The Chamber believes such a spending-reduction commission could provide the objectivity and discipline necessary for Congress to rise above special interests and advance the broader national interest in spending restraint.

Contact your senators to urge them to support S. 1191. Contact your representative and urge support for similar legislation when it is introduced in the House. ■

Editorial



Payback Time For Organized Labor

As a candidate, President Clinton promised massive change in a government that individual Americans were finding increasingly unresponsive.

But in one major area of business concern—labor-management relations—his initiatives are not aimed at change but at preserving the entrenched political power of organized labor and its mutually beneficial alliance with the Democratic Party.

These efforts include his support of legislation to ban employers from replacing striking workers and for repeal of the Hatch Act, which bars government employees from partisan political activity.

Organized labor is pursuing those goals as part of its frantic efforts to stem the membership erosion that could threaten its existence.

A ban on replacement of strikers would give union recruiters the ability to reassure workers that their union could strike a company without fear of job loss. And repeal of the Hatch Act would free millions of federal workers, many of them members of public-sector unions, for partisan political activity on behalf of those unions.

The 54-year-old Hatch Act negated the power of elected officials to coerce federal employees into partisan political activity. There is no substantive case for its repeal.

It is not difficult to envision the fate of efforts to privatize and otherwise reduce the size of government if members of Congress were politically beholden to the very government employees whose jobs were at stake.

The administration's support of a small minority of workers on these two issues—at an unacceptable cost to the rest of the country—can only raise the specter of political payback.

This is not the change the American people wanted. NB

Free-Spirited Enterprise



By Janet L. Willen

Mission: Impossible

You are CEO of MedTech, a $150 million company that's in trouble. Growth is stalled, and your parent company wants you to turn the company around. Your future depends on how skillfully you make strategic decisions.

That's your mission in *The Strategy Game*, a book by Craig R. Hickman (McGraw-Hill). This interactive business book, which is also available as computer software, requires the reader to make critical decisions from one chapter to the next.

For example, at the end of the first chapter, you choose either to focus on new-product research and development or to emphasize sales and marketing. Readers who select R&D go to the second chapter, where senior management embraces the decision. Readers who opt for sales and marketing move to Chapter 3, where senior managers are in conflict and a division head resigns.

Each chapter demands a new decision from the reader, and your sequence through the book depends upon your choices. The book has 33 possible endings.

The book costs $22.95 and is available at most bookstores. The software version, which costs $39.95, comes in Windows format for IBM-compatible personal computers.

On The Road Again

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The interstate-travel guide looks like a calculator with 30 keys, printed with letters, numbers, and words such as "gas," "food," and "directions." Depending on the keys you press, the display panel will show you the distances and routes to gas stations, hospitals, motel chains, food chains, and other establishments as well as rest stops along the highway.

When you get on the interstate, you enter the post office abbreviation for the state you're in. The display panel then guides you through choices until it determines your location.

You tell the guide what you want to find out by hitting the category key. You could hit "24 hr gas," for example, to get the name of the nearest all-night station, its distance, exit number, and directions from the exit.

The gadget can also tell you more than 10,000 routes linking 100 major cities.

The price is $49.95. For more information, call 1-800-747-2605.

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ILLUSTRATIONS: JIM OWENS

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